



**FU YU CORPORATION LIMITED
AND SUBSIDIARY COMPANIES**

**SGX APPENDIX 7.2 ANNOUNCEMENT
UNAUDITED FINANCIAL CONDITION, RESULTS OF OPERATIONS AND
CASH FLOWS FOR THE SECOND QUARTER ENDED
30 JUNE 2018**

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 2018.

GROUP	Quarter Ended 30-Jun		Change %	Half Year 30-Jun		Change %
	2018 S\$'000	2017 S\$'000		2018 S\$'000	2017 S\$'000	
Revenue	50,812	47,297	7.4	97,184	92,041	5.6
Cost of sales	(42,241)	(39,975)	5.7	(81,172)	(77,234)	5.1
Gross profit	8,571	7,322	17.1	16,012	14,807	8.1
Other income	1,757	1,762	(0.3)	3,622	3,669	(1.3)
Selling and administrative expenses	(6,947)	(6,498)	6.9	(13,801)	(13,147)	5.0
Other operating income/(expenses)	1,996	(967)	NM	651	(2,275)	NM
Results from operating activities	5,377	1,619	NM	6,484	3,054	NM
Share of loss of joint venture (net of tax)	(136)	(167)	(18.6)	(288)	(256)	12.5
Profit before income tax	5,241	1,452	NM	6,196	2,798	NM
Tax expense	(998)	(607)	64.4	(1,329)	(1,278)	4.0
Profit for the quarter/period	4,243	845	NM	4,867	1,520	NM
Profit for the quarter/period attributable to:						
Owners of the Company	4,007	725	NM	4,555	1,256	NM
Non-controlling interests	236	120	96.7	312	264	18.2
Profit for the quarter/period	4,243	845	NM	4,867	1,520	NM
Earnings per share						
- basic and diluted earnings per share (cents)	0.53	0.10	NM	0.60	0.17	NM
NM denotes Not Meaningful						

Consolidated Statement of Comprehensive Income

GROUP	Quarter Ended 30-Jun		Change %	Half Year 30-Jun		Change %
	2018 S\$'000	2017 S\$'000		2018 S\$'000	2017 S\$'000	
Profit for the quarter/period	4,243	845	NM	4,867	1,520	NM
Other comprehensive income Items that are or may be reclassified subsequently to profit or loss:						
Foreign currency translation differences for foreign operations	-	846	NM	2,295	(2,481)	NM
Other comprehensive income for the quarter/period (net of tax)	-	846	NM	2,295	(2,481)	NM
Total comprehensive income for the quarter/period (net of tax)	4,243	1,691	NM	7,162	(961)	NM
Total comprehensive income attributable to:						
Owners of the Company	4,081	1,295	NM	6,304	(1,121)	NM
Non-controlling interests	162	396	(59.1)	858	160	NM
Total comprehensive income for the quarter/period	4,243	1,691	NM	7,162	(961)	NM

NM denotes Not Meaningful

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

GROUP	Quarter Ended 30-Jun		Change %	Half Year 30-Jun		Change %
	2018 S\$'000	2017 S\$'000		2018 S\$'000	2017 S\$'000	
Profit before income tax is arrived at after charging/(crediting) the following:						
Interest income	(428)	(447)	(4.3)	(909)	(887)	2.5
Gain on disposal of property, plant and equipment	(72)	(45)	60.0	(82)	(97)	(15.5)
Foreign exchange (gain)/loss, net	(2,275)	929	NM	(928)	2,220	NM
Property, plant and equipment written off	3	26	(88.5)	6	37	(83.8)
Allowance for doubtful trade and other receivables	276	13	NM	271	18	NM
Depreciation and amortisation	1,776	1,978	(10.2)	3,577	4,055	(11.8)
Allowance for inventory obsolescence and inventories written off, net	152	56	NM	260	226	15.0
Adjustments for (over)/underprovision of income tax in respects of the prior years	72	(10)	NM	(47)	27	NM

NM denotes Not Meaningful

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 18 S\$'000	As at 31 Dec 17 S\$'000	As at 30 Jun 18 S\$'000	As at 31 Dec 17 S\$'000
Non-current assets				
Property, plant and equipment	44,977	45,954	11,807	12,593
Investment property	8,336	8,204	-	-
Subsidiaries	-	-	49,345	48,811
Joint venture	1,241	1,490	-	-
Deferred tax assets	1,403	1,727	-	-
	55,957	57,375	61,152	61,404
Current assets				
Inventories	19,183	17,646	3,616	2,742
Trade and other receivables	60,421	62,429	12,556	11,148
Tax recoverable	24	7	-	-
Amount due from subsidiary companies	-	-	3,791	3,817
Short term investments	2,323	3,318	-	-
Cash and cash equivalents	73,923	95,437	38,367	43,576
	155,874	178,837	58,330	61,283
Total assets	211,831	236,212	119,482	122,687
Equity attributable to equity holders of the Company				
Share capital	102,158	102,158	102,158	102,158
Reserves	61,697	63,150	7,531	11,497
	163,855	165,308	109,689	113,655
Non-controlling interests	-	20,186	-	-
Total equity	163,855	185,494	109,689	113,655
Non-current liabilities				
Deferred tax liabilities	584	616	509	523
	584	616	509	523
Current liabilities				
Trade and other payables	44,869	47,482	8,649	8,248
Amounts due to subsidiary companies	-	-	262	114
Tax payable	2,523	2,620	373	147
	47,392	50,102	9,284	8,509
Total liabilities	47,976	50,718	9,793	9,032
Total equity and liabilities	211,831	236,212	119,482	122,687

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

The Group has no borrowings and debts securities as at 30 June 2018 and 31 December 2017.

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	
	2018 S\$'000	2017 S\$'000	2018 S\$'000	2017 S\$'000
Cash flows from operating activities				
Profit before income tax	5,241	1,452	6,196	2,798
Adjustments for:				
Depreciation of property, plant and equipment and investment property	1,776	1,978	3,577	4,055
Gain on disposal of property, plant and equipment	(72)	(45)	(82)	(97)
Property, plant and equipment written off	3	26	6	37
Interest income	(428)	(447)	(909)	(887)
Share of loss of joint venture (net of tax)	136	167	288	256
Unrealised foreign exchange (gain)/loss	739	(407)	(21)	(290)
	<u>2,154</u>	<u>1,272</u>	<u>2,859</u>	<u>3,074</u>
	7,395	2,724	9,055	5,872
Changes in working capital:				
Inventories	373	(232)	(1,354)	(449)
Trade and other receivables	(2,968)	(2,653)	2,531	(1,939)
Trade and other payables	687	3,636	(2,175)	(597)
Cash from operating activities	<u>5,487</u>	<u>3,475</u>	<u>8,057</u>	<u>2,887</u>
Tax paid	(583)	(500)	(1,136)	(961)
Net cash from operating activities	<u>4,904</u>	<u>2,975</u>	<u>6,921</u>	<u>1,926</u>
Cash flows from investing activities				
Purchase of property, plant and equipment	(1,525)	(708)	(2,828)	(2,523)
Proceeds from disposal of property, plant and equipment	75	54	85	152
Withdrawal/(Placement) of short term investments	594	(277)	1,083	(145)
Interest income received	428	447	909	887
Net cash used in investing activities	<u>(428)</u>	<u>(484)</u>	<u>(751)</u>	<u>(1,629)</u>
Cash flows from financing activities				
Deposit pledged	(27)	(22)	(51)	(44)
Selective capital reduction *	(20,716)	-	(20,716)	-
Payment of transaction cost related to selective capital reduction	(555)	-	(555)	-
Dividends paid to non-controlling interest of a subsidiary	-	(508)	-	(508)
Dividends paid to owners of the Company	(7,530)	(7,530)	(7,530)	(7,530)
Net cash used in financing activities	<u>(28,828)</u>	<u>(8,060)</u>	<u>(28,852)</u>	<u>(8,082)</u>
Net decrease in cash and cash equivalents	<u>(24,352)</u>	<u>(5,569)</u>	<u>(22,682)</u>	<u>(7,785)</u>
Cash and cash equivalents at beginning of financial quarter/period	95,169	98,799	92,252	102,602
Effects of exchange rate fluctuations on cash held	(216)	577	1,031	(1,010)
Cash and cash equivalents at end of financial quarter/period	<u>70,601</u>	<u>93,807</u>	<u>70,601</u>	<u>93,807</u>
For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise:				
Cash at bank and in hand	31,626	36,936	31,626	36,936
Deposits with banks	42,297	59,930	42,297	59,930
Cash and cash equivalents in the statement of financial position	73,923	96,866	73,923	96,866
Deposits pledged	(3,322)	(3,059)	(3,322)	(3,059)
Cash and cash equivalents in the consolidated cash flow statement	<u>70,601</u>	<u>93,807</u>	<u>70,601</u>	<u>93,807</u>

* 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 - 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 reserve S\$'000	Retained earnings S\$'000	Total attributable to equity holders of the Company 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	140	7,997	789	(19,343)	72,114	163,855	-	163,855

Group - 2017	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 reserve S\$'000	Retained earnings S\$'000	Total attributable to equity holders of the Company S\$'000		
At 1 April 2017	102,158	140	7,616	789	(16,208)	76,626	171,121	19,410	190,531
Other comprehensive income for the quarter									
- Foreign currency translation differences	-	-	-	-	570	-	570	276	846
Profit for the quarter	-	-	-	-	-	725	725	120	845
Total comprehensive income for the quarter	-	-	-	-	570	725	1,295	396	1,691
Dividends paid to shareholders of the company	-	-	-	-	-	(7,530)	(7,530)	-	(7,530)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	(508)	(508)
At 30 June 2017	102,158	140	7,616	789	(15,638)	69,821	164,886	19,298	184,184

For the Period Ended 30 June (Group)

	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 reserve S\$'000	Retained earnings S\$'000	Total attributable to equity holders of the Company S\$'000		
Group - 2018									
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	140	7,997	789	(19,343)	72,114	163,855	-	163,855

	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 reserve S\$'000	Retained earnings S\$'000	Total attributable to equity holders of the Company S\$'000		
Group - 2017									
At 1 January 2017	102,158	140	7,616	789	(13,261)	76,095	173,537	19,646	193,183
Other comprehensive income for the period									
- Foreign currency translation differences	-	-	-	-	(2,377)	-	(2,377)	(104)	(2,481)
Profit for the period	-	-	-	-	-	1,256	1,256	264	1,520
Total comprehensive income for the period	-	-	-	-	(2,377)	1,256	(1,121)	160	(961)
Dividends paid to shareholders of the company	-	-	-	-	-	(7,530)	(7,530)	-	(7,530)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	(508)	(508)
At 30 June 2017	102,158	140	7,616	789	(15,638)	69,821	164,886	19,298	184,184

For the Quarter Ended 30 June (Company)

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

Company - 2017	Share capital S\$'000	Revaluation reserve S\$'000	Merger # reserve S\$'000	Retained earnings S\$'000	Total equity S\$'000
At 1 April 2017	102,158	789	(1,425)	14,657	116,179
Profit for the quarter	-	-	-	2,212	2,212
Total comprehensive income for the quarter	-	-	-	2,212	2,212
Dividends paid to shareholders of the company	-	-	-	(7,530)	(7,530)
At 30 June 2017	102,158	789	(1,425)	9,339	110,861

For the Year Ended 30 June (Company)

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

Company - 2017	Share capital S\$'000	Revaluation reserve S\$'000	Merger # reserve S\$'000	Retained earnings S\$'000	Total equity S\$'000
At 1 January 2017	102,158	789	-	15,301	118,248
Profit for the period	-	-	-	1,568	1,568
Total comprehensive income for the period	-	-	-	1,568	1,568
Dividends paid to shareholders of the company	-	-	-	(7,530)	(7,530)
*Amalgamation of business	-	-	(1,425)	-	(1,425)
At 30 June 2017	102,158	789	(1,425)	9,339	110,861

* On 28 Feb 2017, the Company merged with its wholly-owned subsidiaries NanoTechnology Manufacturing Pte Ltd ("NTM") and Solidmicron Technologies Pte Ltd ("SMT") by way of a short form amalgamation pursuant to and in accordance with Section 215D of the Singapore Companies Act, Chapter 50. The assets and liabilities were transferred at net book value as at 28 Feb 2017. The amalgamation is accounted for using "as-if-pooling" method. No restatement was made to the comparatives.

The merger reserve relates to the amalgamation of NTM and SMT ("amalgamated subsidiaries") into the Company. 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.

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 2018 was 752,994,775 (31 December 2017: 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 2018 are consistent with those applied in the financial statements for the year ended 31 December 2017, except for the adoption of accounting standards (including its consequential amendments) and interpretations applicable for the financial period beginning 1 January 2018 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 2018 is prepared in accordance with the Singapore Financial Reporting Standards (International) (SFRS(I)) issued by the Accounting Standards Council (ASC).

In addition, during the current financial year, the Group has adopted the following new SFRS(I)s, amendments and interpretations of SFRS(I)s which took effect from financial period beginning 1 January 2018:

- SFRS(I) 9 *Financial Instruments*
- SFRS(I) 15 *Revenue from Contracts with Customers* and Amendments to SFRS(I) *Clarifications to SFRS(I) 15*

The adoption of these SFRS(I)s, amendments and interpretations of SFRS(I)s did not have any significant impact on the financial statements of the Group.

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		Half Year 30-Jun	
	2018 (unaudited)	2017 (unaudited)	2018 (unaudited)	2017 (unaudited)
<i>Earnings per share</i> - basic and diluted (cents)	0.53	0.10	0.60	0.17

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 (2017: 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 2018 and 30 June 2017.

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 18	31 Dec 17	30 Jun 18	31 Dec 17
Net asset value (S\$'000)	163,855	165,308	109,689	113,655
Issued capital at the end of the period ('000)	752,995	752,995	752,995	752,995
Net asset value per Ordinary Share (cents)	21.76	21.95	14.57	15.09

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 2018 ("2Q18"), the Group registered revenue of S\$50.8 million, up 7.4% from S\$47.3 million in 2Q17. This was led by higher sales from the Group's operations in Singapore and Malaysia. On a quarter-on-quarter basis, Group revenue was also approximately 9.6% higher than S\$46.4 million recorded in 1Q18.

For the six months ended 30 June 2018 ("1H18"), Group revenue improved 5.6% to S\$97.2 million from S\$92.0 million in 1H17. The increase in revenue was attributed mainly to the Singapore and Malaysia segments which registered higher sales in 1H18.

Sales generated from the Singapore operations in 1H18 gained 15.6% to S\$22.8 million from S\$19.7 million in 1H17, driven mainly by higher sales of products in the printing & imaging and automotive segments. The Malaysia segment also recorded sales growth of 21.0% to S\$18.5 million in 1H18 from S\$15.3 million in 1H17 on the back of higher orders for products in the consumer and medical segments. On the other hand, sales from the China operations in 1H18 dipped marginally by 2.0% to S\$55.9 million from S\$57.0 million in 1H17 due mainly to weaker sales of networking & communications products.

As a result, the revenue contributions from Singapore and Malaysia operations in 1H18 expanded to 23.4% and 19.1% compared to 21.4% and 16.7% respectively in 1H17. China segment accounted for a lower 57.5% of Group revenue in 1H18 as compared to 61.9% in 1H17.

Gross Profit

Gross profit in 2Q18 climbed 17.1% to S\$8.6 million from S\$7.3 million in 2Q17. Correspondingly, gross profit margin widened to 16.9% from 15.5% in 2Q17. For 1H18, the Group's gross profit margin also improved slightly to 16.5% from 16.1% in 1H17 notwithstanding selling price pressure in the industry. The increase in gross profit margin was attributed to the Group's continual efforts to improve its production processes through lean operations and greater automation to achieve better cost and operational efficiencies.

Other Income

Other income in 2Q18 and 1H18 of S\$1.8 million and S\$3.6 million respectively were stable when compared to 2Q17 and 1H17.

Selling and Administrative Expenses

Selling and administrative expenses increased 6.9% year-on-year to S\$6.9 million in 2Q18, and 5.0% to S\$13.8 million in 1H18. The increases were in line with higher Group revenue.

Other Operating Income / Expenses

The Group recorded other operating income of S\$2.0 million in 2Q18. This income consisted mainly of foreign exchange gain of S\$2.3 million which was due primarily to the appreciation of the US Dollar against the functional currencies of the respective companies in the Group. The foreign exchange gain in 2Q18 was partially offset by an allowance for doubtful trade and other receivables of S\$0.3 million. In contrast, the Group registered other operating expenses of around S\$1.0 million in 2Q17 due to a foreign exchange loss. As a result, the Group benefited from a positive swing of around S\$3.0 million from other operating income in 2Q18 versus 2Q17.

The Group also recorded other operating income of S\$0.7 million in 1H18 versus other operating expenses of S\$2.3 million in 1H17. This represented a positive change of approximately S\$3.0 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 appreciation of the US Dollar against the Singapore Dollar and Malaysia Ringgit contributed partly to the foreign exchange gain in 2Q18.

Profit Before Income Tax

Group profit before income tax increased significantly to S\$5.2 million in 2Q18 from S\$1.5 million in 2Q17 on the back of higher revenue and gross profit, as well as other operating income. As a result of the stronger performance in 2Q18, the Group's profit before income tax in 1H18 more than doubled to S\$6.2 million from S\$2.8 million in 1H17.

The Group's profit before tax excluding foreign exchange impact and share of results of joint venture ("operating profit") increased to S\$3.1 million in 2Q18 from S\$2.5 million in 2Q17. Operating profit of S\$5.6 million in 1H18 was also higher than S\$5.3 million in 1H17.

Tax Expense

The Group incurred tax expense of S\$1.0 million for 2Q18 and S\$1.3 million for 1H18 which translated to effective tax rates of 19.0% and 21.4% respectively. Excluding the withholding taxes which arose from services rendered to China subsidiaries, the effective tax rates were 18.9% for 2Q18 and 21.2% for 1H18. The Group's effective tax rate is higher than Singapore's statutory tax rate of 17% due mainly to losses incurred by certain entities which cannot be offset against profits earned by other companies within the Group.

Net Profit Attributable to Owners of the Company

The Group recorded a substantial increase in net profit attributable to owners of the Company to S\$4.0 million in 2Q18 million from S\$0.7 million in 2Q17. Net profit attributable to owners of the Company for 1H18 also climbed by 262.7% to S\$4.6 million from S\$1.3 million previously.

Dividend

The Board of Directors has declared an interim dividend of 0.30 cent per share. This translates into a dividend payout of approximately 50% based on net profit attributable to owners of the Company for 1H18.

Balance Sheet

The Group's financial position as at 30 June 2018 remained sound with a cash balance of S\$73.9 million and zero borrowings. Shareholders' equity stood at S\$163.9 million, equivalent to net asset value of 21.76 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 9.82 cents per share.

Total assets as at 30 June 2018 decreased to S\$211.8 million compared to S\$236.2 million as at 31 December 2017. The decline was attributed mainly to a reduction in cash and cash equivalents following the settlement of a selective capital reduction ("SCR") exercise in June 2018 to privatise the Group's subsidiary LCTH Corporation Berhad ("LCTH") that was listed on Bursa Malaysia Securities Berhad. LCTH is now a wholly-owned subsidiary of Fu Yu Investment Pte Ltd.

As at 30 June 2018, total liabilities decreased by S\$2.7 million to S\$48.0 million from S\$50.7 million as at 31 December 2017 due primarily to a reduction in trade and other payables.

Cash Flow Statement

The Group generated net cash from operating activities of S\$6.9 million in 1H18. This was attributed to operating profit before working capital changes of around S\$9.1 million and a reduction of trade and other receivables, offset partially by an increase in inventories as well as payments for trade and other payables and income taxes.

Net cash used in investing activities during 1H18 amounted to S\$0.8 million. The Group incurred capital expenditure of S\$2.8 million which was offset partially by proceeds from interest and investment income, as well as withdrawal of short term investments.

The Group used cash of S\$28.9 million in financing activities during 1H18. Around S\$20.7 million was attributed to the SCR exercise for LCTH that was completed in June 2018. The Group also paid dividends of around S\$7.5 million to shareholders of Fu Yu Corporation Limited in 1H18.

As a result, the Group recorded a net decrease of S\$22.7 million in cash and cash equivalents during 1H18 and closed the financial period with cash and cash equivalents of S\$70.6 million (excluding cash deposits pledged of S\$3.3 million).

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 is generally expected to perform resiliently in 2018, there are increasing concerns that an escalation in trade tensions could pose a serious threat to this growth outlook.

Given the uncertain macroeconomic environment and uneven end-user demand across the industries it serves, the Group expects operating conditions to remain challenging during the second half of 2018. In addition, the Group's financial performance is affected by other factors such as intensifying industry competition, pressure on selling prices and continued volatility in the US Dollar.

To drive sustainable growth over the long term, the Group is executing the following strategic initiatives:

- (i) strengthen its business development team 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 stability;
- (iii) focus on products that have greater stability, longer life cycles and higher growth potential such as medical, automotive, eco-friendly and smart home consumer products, and 3D printers; and
- (iv) continuously improve its operations to achieve optimal capacity utilisation, high production efficiency and lean cost structure.

In June 2018, LCTH Corporation Berhad ("LCTH") became a wholly-owned subsidiary of Fu Yu following the settlement of the selective capital reduction and repayment exercise. LCTH was subsequently removed from the Official List of Bursa Malaysia Securities Berhad on 27 June 2018. This exercise will enable the Group to benefit from cost savings related to LCTH's public listing, as well as provide it with flexibility to better manage the production and financial resources of its operations in Asia.

On the business development front, the Group is developing a digital marketing platform to enhance its profile with existing and potential customers. The Group aims to expand its relationship with customers by securing additional projects for customers' existing products or new product introduction. The Group is currently working with existing customers on new product lines and making encouraging progress with new customers particularly in the consumer segment. Nevertheless, the Group's overall sales performance is dependent on, among other factors, the end-user demand for customers' products and the individual performance of each segment in the Group's diverse product portfolio.

To position itself for opportunities with current and new customers, the Group constantly strives to improve its core competencies in tooling and moulding to produce high precision products. The Group also focuses on the cost-effectiveness and efficiency of its manufacturing operations to ensure faster time-to-market for customers and improve its competitive edge.

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

Backed by its strong one-stop manufacturing capabilities, strategically-located facilities in Asia, diversified customer base and sound financial position, the Group is confident it has a solid platform to capitalise on opportunities that arise as well as to 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	0.30 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	0.25 cent per ordinary share
Tax rate	One-tier tax exempt

(c) Date payable

10 September 2018

(d) Books closure date

29 August 2018

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 2018.

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 2018 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

Tan Wee Sin
Company Secretary
Singapore, 14 August 2018