



**FU YU CORPORATION LIMITED
AND SUBSIDIARY COMPANIES**

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

Third 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 third quarter ended 30 September 2018.

GROUP	Quarter Ended 30-Sep		Change %	9 Months Ended 30-Sep		Change %
	2018 S\$'000	2017 S\$'000		2018 S\$'000	2017 S\$'000	
Revenue	52,437	50,209	4.4	149,621	142,250	5.2
Cost of sales	(41,859)	(41,789)	0.2	(123,031)	(119,023)	3.4
Gross profit	10,578	8,420	25.6	26,590	23,227	14.5
Other income	2,271	1,732	31.1	5,893	5,401	9.1
Selling and administrative expenses	(7,129)	(6,854)	4.0	(20,930)	(20,001)	4.6
Other operating income/(expenses)	449	(846)	NM	1,100	(3,121)	NM
Results from operating activities	6,169	2,452	NM	12,653	5,506	NM
Finance costs	-	(1)	NM	-	(1)	NM
Share of loss of joint venture (net of tax)	(265)	(164)	61.6	(553)	(420)	31.7
Profit before income tax	5,904	2,287	NM	12,100	5,085	NM
Tax expense	(1,509)	(1,136)	32.8	(2,838)	(2,414)	17.6
Profit for the quarter/period	4,395	1,151	NM	9,262	2,671	NM
Profit for the quarter/period attributable to:						
Owners of the Company	4,395	810	NM	8,950	2,066	NM
Non-controlling interests	-	341	NM	312	605	(48.4)
Profit for the quarter/period	4,395	1,151	NM	9,262	2,671	NM
Earnings per share						
- basic and diluted earnings per share (cents)	0.58	0.11	NM	1.19	0.27	NM
NM denotes Not Meaningful						

Consolidated Statement of Comprehensive Income

GROUP	Quarter Ended 30-Sep		Change %	9 Months Ended 30-Sep		Change %
	2018 S\$'000	2017 S\$'000		2018 S\$'000	2017 S\$'000	
Profit for the quarter/period	4,395	1,151	NM	9,262	2,671	NM
Other comprehensive income Items that are or may be reclassified subsequently to profit or loss:						
Foreign currency translation differences for foreign operations	(2,374)	(73)	NM	(79)	(2,554)	(96.9)
Other comprehensive income for the quarter/period (net of tax)	(2,374)	(73)	NM	(79)	(2,554)	(96.9)
Total comprehensive income for the quarter/period (net of tax)	2,021	1,078	87.5	9,183	117	NM
Total comprehensive income attributable to:						
Owners of the Company	2,021	709	NM	8,325	(412)	NM
Non-controlling interests	-	369	NM	858	529	62.2
Total comprehensive income for the quarter/period	2,021	1,078	87.5	9,183	117	NM

NM denotes Not Meaningful

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

GROUP	Quarter Ended 30-Sep		Change %	9 Months Ended 30-Sep		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	(308)	(428)	(28.0)	(1,217)	(1,315)	(7.5)
Gain on disposal of property, plant and equipment	(709)	(21)	NM	(791)	(118)	NM
Foreign exchange (gain)/loss, net	(405)	804	NM	(1,333)	3,024	NM
Property, plant and equipment written off (Write-back of) / Allowance for doubtful trade and other receivables	7	117	(94.0)	13	154	(91.6)
Depreciation and amortisation	(51)	(74)	(31.1)	220	(56)	NM
Finance costs	1,715	1,846	(7.1)	5,292	5,901	(10.3)
Allowance for inventory obsolescence and inventories written off, net	-	1	(100.0)	-	1	(100.0)
Adjustments for under/(over)provision of income tax in respects of the prior years	122	97	25.8	382	361	5.8
Adjustments for over-provision of deferred tax assets in respects of the prior years	4	(62)	NM	(43)	(35)	22.9
	(37)	-	100.0	(37)	-	100.0

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 Sep 18 S\$'000	As at 31 Dec 17 S\$'000	As at 30 Sep 18 S\$'000	As at 31 Dec 17 S\$'000
Non-current assets				
Property, plant and equipment	44,558	45,954	11,659	12,593
Investment property	8,102	8,204	-	-
Subsidiaries	-	-	49,304	48,811
Joint venture	951	1,490	-	-
Deferred tax assets	955	1,727	-	-
	54,566	57,375	60,963	61,404
Current assets				
Inventories	18,243	17,646	3,744	2,742
Trade and other receivables	60,856	62,429	12,675	11,148
Tax recoverable	18	7	-	-
Amount due from subsidiary companies	-	-	7,571	3,817
Short term investments	2,203	3,318	-	-
Cash and cash equivalents	77,325	95,437	38,855	43,576
	158,645	178,837	62,845	61,283
Total assets	213,211	236,212	123,808	122,687
Equity attributable to equity holders of the Company				
Share capital	102,158	102,158	102,158	102,158
Reserves	61,459	63,150	11,847	11,497
	163,617	165,308	114,005	113,655
Non-controlling interests	-	20,186	-	-
Total equity	163,617	185,494	114,005	113,655
Non-current liabilities				
Deferred tax liabilities	907	616	828	523
	907	616	828	523
Current liabilities				
Trade and other payables	45,948	47,482	8,470	8,248
Amounts due to subsidiary companies	-	-	157	114
Tax payable	2,739	2,620	348	147
	48,687	50,102	8,975	8,509
Total liabilities	49,594	50,718	9,803	9,032
Total equity and liabilities	213,211	236,212	123,808	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 September 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		9 Months Ended	
	30-Sep		30-Sep	
	2018	2017	2018	2017
	S\$'000	S\$'000	S\$'000	S\$'000
Cash flows from operating activities				
Profit before income tax	5,904	2,287	12,100	5,085
Adjustments for:				
Depreciation of property, plant and equipment and investment property	1,715	1,846	5,292	5,901
Gain on disposal of property, plant and equipment	(709)	(21)	(791)	(118)
Property, plant and equipment written off	7	117	13	154
Interest income	(308)	(428)	(1,217)	(1,315)
Finance costs	-	1	-	1
Share of loss of joint venture (net of tax)	265	164	553	420
Unrealised foreign exchange loss/(gain)	1,042	(218)	1,021	(508)
	<u>2,012</u>	<u>1,461</u>	<u>4,871</u>	<u>4,535</u>
	7,916	3,748	16,971	9,620
Changes in working capital:				
Inventories	455	(69)	(899)	(518)
Trade and other receivables	(2,162)	(2,606)	369	(4,545)
Trade and other payables	2,263	(101)	88	(698)
Cash from operating activities	<u>8,472</u>	<u>972</u>	<u>16,529</u>	<u>3,859</u>
Tax paid	(455)	(494)	(1,591)	(1,455)
Net cash from operating activities	<u>8,017</u>	<u>478</u>	<u>14,938</u>	<u>2,404</u>
Cash flows from investing activities				
Purchase of property, plant and equipment	(2,277)	(741)	(5,105)	(3,264)
Proceeds from disposal of property, plant and equipment	781	28	866	180
Withdrawal/(Placement) of short term investments	63	(383)	1,146	(528)
Interest income received	308	428	1,217	1,315
Net cash used in investing activities	<u>(1,125)</u>	<u>(668)</u>	<u>(1,876)</u>	<u>(2,297)</u>
Cash flows from financing activities				
Finance costs paid	-	(1)	-	(1)
Proceeds from short term borrowings	-	500	-	500
Repayment of short term borrowings	-	(500)	-	(500)
Deposit pledged	(26)	(23)	(77)	(67)
Selective capital reduction *	-	-	(20,716)	-
Payment of transaction cost related to selective capital reduction	-	-	(555)	-
Dividends paid to non-controlling interest of a subsidiary	-	(171)	-	(679)
Dividends paid to owners of the Company	(2,259)	(1,882)	(9,789)	(9,412)
Net cash used in financing activities	<u>(2,285)</u>	<u>(2,077)</u>	<u>(31,137)</u>	<u>(10,159)</u>
Net increase/(decrease) in cash and cash equivalents	4,607	(2,267)	(18,075)	(10,052)
Cash and cash equivalents at beginning of financial quarter/period	70,601	93,807	92,252	102,602
Effects of exchange rate fluctuations on cash held	(1,155)	9	(124)	(1,001)
Cash and cash equivalents at end of financial quarter/period	<u>74,053</u>	<u>91,549</u>	<u>74,053</u>	<u>91,549</u>
For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise:				
Cash at bank and in hand	38,037	34,062	38,037	34,062
Deposits with banks	39,288	60,573	39,288	60,573
Cash and cash equivalents in the statement of financial position	<u>77,325</u>	<u>94,635</u>	<u>77,325</u>	<u>94,635</u>
Deposits pledged	(3,272)	(3,086)	(3,272)	(3,086)
Cash and cash equivalents in the consolidated cash flow statement	<u>74,053</u>	<u>91,549</u>	<u>74,053</u>	<u>91,549</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 September (Group)

Group - 2018	Attributable to equity holders of the Company							Non-controlling interests	Total equity
	Share capital	Capital reserve	Statutory reserve	Revaluation reserve	Foreign currency		Total attributable to equity holders of the Company		
					translation reserve	Retained earnings			
S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	
At 1 July 2018	102,158	140	7,997	789	(19,343)	72,114	163,855	-	163,855
Other comprehensive income for the quarter - Foreign currency translation differences	-	-	-	-	(2,374)	-	(2,374)	-	(2,374)
Profit for the quarter	-	-	-	-	-	4,395	4,395	-	4,395
Total comprehensive income for the quarter	-	-	-	-	(2,374)	4,395	2,021	-	2,021
Dividends paid to shareholders of the company	-	-	-	-	-	(2,259)	(2,259)	-	(2,259)
At 30 September 2018	102,158	140	7,997	789	(21,717)	74,250	163,617	-	163,617

Group - 2017	Attributable to equity holders of the Company							Non-controlling interests	Total equity
	Share capital	Capital reserve	Statutory reserve	Revaluation reserve	Foreign currency		Total attributable to equity holders of the Company		
					translation reserve	Retained earnings			
S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	
At 1 July 2017	102,158	140	7,616	789	(15,638)	69,821	164,886	19,298	184,184
Other comprehensive income for the quarter - Foreign currency translation differences	-	-	-	-	(101)	-	(101)	28	(73)
Profit for the quarter	-	-	-	-	-	810	810	341	1,151
Total comprehensive income for the quarter	-	-	-	-	(101)	810	709	369	1,078
Dividends paid to shareholders of the company	-	-	-	-	-	(1,882)	(1,882)	-	(1,882)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	(171)	(171)
Transfer of reserves	-	-	565	-	-	(565)	-	-	-
At 30 September 2017	102,158	140	8,181	789	(15,739)	68,184	163,713	19,496	183,209

For the Period Ended 30 September (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		Total attributable to equity holders of S\$'000		
					reserve S\$'000	earnings 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	-	-	-	-	(625)	-	(625)	546	(79)
Profit for the period	-	-	-	-	-	8,950	8,950	312	9,262
Total comprehensive income for the period	-	-	-	-	(625)	8,950	8,325	858	9,183
Dividends paid to shareholders of the company	-	-	-	-	-	(9,789)	(9,789)	-	(9,789)
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 September 2018	102,158	140	7,997	789	(21,717)	74,250	163,617	-	163,617

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		Total attributable to equity holders of S\$'000		
					reserve S\$'000	earnings S\$'000			
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	-	-	-	-	(2,478)	-	(2,478)	(76)	(2,554)
Profit for the period	-	-	-	-	-	2,066	2,066	605	2,671
Total comprehensive income for the period	-	-	-	-	(2,478)	2,066	(412)	529	117
Dividends paid to shareholders of the company	-	-	-	-	-	(9,412)	(9,412)	-	(9,412)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	(679)	(679)
Transfer of reserves	-	-	565	-	-	(565)	-	-	-
At 30 September 2017	102,158	140	8,181	789	(15,739)	68,184	163,713	19,496	183,209

For the Quarter Ended 30 September (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 July 2018	102,158	789	(1,425)	8,167	109,689
Profit for the quarter	-	-	-	6,575	6,575
Total comprehensive income for the quarter	-	-	-	6,575	6,575
Dividends paid to shareholders of the company	-	-	-	(2,259)	(2,259)
At 30 September 2018	102,158	789	(1,425)	12,483	114,005

Company - 2017	Share capital S\$'000	Revaluation reserve S\$'000	Merger # reserve S\$'000	Retained earnings S\$'000	Total equity S\$'000
At 1 July 2017	102,158	789	(1,425)	9,339	110,861
Profit for the quarter	-	-	-	6,692	6,692
Total comprehensive income for the quarter	-	-	-	6,692	6,692
Dividends paid to shareholders of the company	-	-	-	(1,882)	(1,882)
At 30 September 2017	102,158	789	(1,425)	14,149	115,671

For the Period Ended 30 September (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	-	-	-	10,139	10,139
Total comprehensive income for the period	-	-	-	10,139	10,139
Dividends paid to shareholders of the company	-	-	-	(9,789)	(9,789)
At 30 September 2018	102,158	789	(1,425)	12,483	114,005

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	-	-	-	8,260	8,260
Total comprehensive income for the period	-	-	-	8,260	8,260
Dividends paid to shareholders of the company	-	-	-	(9,412)	(9,412)
*Amalgamation of business	-	-	(1,425)	-	(1,425)
At 30 September 2017	102,158	789	(1,425)	14,149	115,671

* 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 September 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 third quarter ended 30 September 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-Sep		9 Months Ended 30-Sep	
	2018 (unaudited)	2017 (unaudited)	2018 (unaudited)	2017 (unaudited)
<i>Earnings per share</i> - basic and diluted (cents)	0.58	0.11	1.19	0.27

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 September 2018 and 30 September 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 Sep 18	31 Dec 17	30 Sep 18	31 Dec 17
Net asset value (S\$'000)	163,617	165,308	114,005	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)	21.73	21.95	15.14	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 September 2018 ("3Q18"), the Group reported revenue of S\$52.4 million, an increase of 4.4% from S\$50.2 million in 3Q17, due mainly to higher sales from its operations in Singapore and Malaysia. On a quarter-on-quarter basis, Group revenue also increased 3.2% from S\$50.8 million in 2Q18.

For the nine months ended 30 September 2018 ("9M18"), Group revenue improved 5.2% to S\$149.6 million from S\$142.3 million in 9M17, attributable mainly to increased sales of the Singapore and Malaysia segments.

Sales from the Singapore operations increased 17.0% to S\$35.1 million in 9M18 from S\$30.1 million in 9M17, driven mainly by higher sales of products in the printing & imaging, consumer and automotive segments. Sales of the Malaysia segment grew 18.7% to S\$29.4 million in 9M18 from S\$24.8 million in 9M17 due mainly to higher sales of products in the consumer and medical segments. However, sales from the China segment dipped marginally by 2.7% to S\$85.1 million in 9M18 from S\$87.4 million in 9M17 due mainly to lower sales of networking & communications products.

As a result, the Singapore and Malaysia segments accounted for a higher 23.5% and 19.6% of Group revenue in 9M18 as compared to 21.1% and 17.4% respectively in 9M17. Accordingly, the China segment's revenue contribution declined to 56.9% in 9M18 as compared to 61.5% in 9M17.

Gross Profit

Gross profit increased 25.6% to S\$10.6 million in 3Q18 from S\$8.4 million in 3Q17. On a quarter-on-quarter basis, it was also 23.4% higher compared to S\$8.6 million in 2Q18. As a result, the Group's gross profit margin expanded to 20.2% compared to 16.8% in 3Q17.

For 9M18, gross profit margin increased to 17.8% from 16.3% in 9M17. The expansion in the Group's gross profit margin was attributed to a shift in product sales mix coupled with its continual efforts to improve cost and operational efficiencies.

Other Income

Other income in 3Q18 increased 31.1% to S\$2.3 million from S\$1.7 million in 3Q17. For 9M18, other income increased 9.1% to S\$5.9 million from S\$5.4 million. These increases were due mainly to gain on disposal of property, plant and equipment.

Selling and Administrative Expenses

Selling and administrative expenses increased 4.0% to S\$7.1 million in 3Q18 from S\$6.9 million in 3Q17, and 4.6% to S\$20.9 million in 9M18 from S\$20.0 million in 9M17. These increases were in line with higher Group revenue.

Other Operating Income / (Expenses)

The Group recorded other operating income of S\$0.4 million in 3Q18 which consisted mainly of foreign exchange gain as a result of the appreciation of the US Dollar against the functional currencies of the respective companies in the Group. In contrast, the Group registered other operating expenses of S\$0.8 million in 3Q17 due to a foreign exchange loss. As a result, the Group benefited from a positive swing of around S\$1.2 million from other operating income in 3Q18 versus 3Q17.

For 9M18, the Group recorded other operating income of S\$1.1 million compared to other operating expenses of S\$3.1 million in 9M17. This represented a positive change of approximately S\$4.2 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 to the foreign exchange gain in 3Q18 and 9M18.

Profit Before Income Tax

Group profit before income tax increased significantly to S\$5.9 million in 3Q18 from S\$2.3 million in 3Q17 on the back of higher revenue and gross profit, as well as other operating income. As a result of the Group's higher quarterly performances in 2Q18 and 3Q18, its profit before income tax in 9M18 more than doubled to S\$12.1 million from S\$5.1 million in 9M17.

The Group's profit before tax excluding foreign exchange impact and share of results of joint venture ("operating profit") increased 77.1% to S\$5.8 million in 3Q18 from S\$3.3 million in 3Q17. Operating profit in 9M18 also increased 32.7% to S\$11.3 million from S\$8.5 million in 9M17.

Tax Expense

The Group incurred tax expense of S\$1.5 million for 3Q18 and S\$2.8 million for 9M18 which translated to effective tax rates of 25.6% and 23.5% respectively. Excluding the withholding taxes which arose from services rendered to and dividend income from China subsidiaries, the effective tax rates were 22.2% for 3Q18 and 21.7% for 9M18. 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

Net profit attributable to owners of the Company increased significantly to S\$4.4 million in 3Q18 from S\$0.8 million in 3Q17. The Group also posted a substantial increase in net profit

attributable to owners of the Company to S\$9.0 million in 9M18 compared to S\$2.1 million in the same period a year ago.

Dividend

The Board of Directors has declared a second interim dividend of 0.30 cent per share. Together with the first interim dividend of 0.30 cent per share paid on 10 September 2018, the total dividend payment for the current financial year-to-date is 0.60 cent per share. This translates into a dividend payout of approximately 50.4% based on net profit attributable to owners of the Company for 9M18.

BALANCE SHEET

The Group maintained a sound financial position as at 30 September 2018 with a cash balance of S\$77.3 million and zero borrowings. Shareholders' equity stood at S\$163.6 million, equivalent to net asset value of 21.73 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 10.27 cents per share.

Total assets as at 30 September 2018 decreased to S\$213.2 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 completion 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 September 2018, total liabilities decreased to S\$49.6 million from S\$50.7 million as at 31 December 2017 due primarily to lower trade and other payables.

CASH FLOW STATEMENT

The Group generated net cash from operating activities of S\$14.9 million in 9M18. This was attributed mainly to operating profit before working capital changes of around S\$17.0 million and a reduction of trade and other receivables, offset partially by an increase in inventories and payment for income taxes.

Net cash used in investing activities amounted to S\$1.9 million during 9M18. The Group incurred capital expenditure of S\$5.1 million which was offset partially by receipt of interest income, withdrawal of short term investments and proceeds from disposal of property, plant and equipment.

The Group used cash of S\$31.1 million in financing activities during 9M18. Around S\$20.7 million was attributed to the SCR exercise for LCTH that was completed in June 2018. The Group also paid total dividends amounting to approximately S\$9.8 million to shareholders of Fu Yu Corporation Limited during 9M18.

As a result, the Group recorded a net decrease of S\$18.1 million in cash and cash equivalents during 9M18 and closed the financial period with cash and cash equivalents of S\$74.1 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

The operating landscape is expected to remain challenging due to concerns that escalating trade tensions will adversely affect global economic growth. In addition to heightened business uncertainties, 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.

Notwithstanding the difficult business backdrop, Fu Yu stayed the course to improve the Group's top line and operational efficiencies. For 9M18, the Group delivered a stronger set of results with operating profit increasing 32.7% to S\$11.3 million on revenue growth of 5.2% to S\$149.6 million compared to 9M17. On a quarter-on-quarter basis, the Group's revenue and operating profit also improved consecutively throughout the first three quarters of FY2018.

The Group registered higher sales for the printing & imaging, consumer, medical and automotive segments which offset weaker sales of networking & communications products in 9M18 compared to 9M17. The growth in sales was the result of the Group's continual efforts to secure additional projects with existing customers for product upgrades and/or new products, as well as its positive progress with new customers. Nevertheless, the Group's overall sales performance remains 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 drive sustainable growth over the long term, the Group will continue to pursue and execute 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. continually improve its operations to achieve optimal capacity utilisation, high production efficiency and lean cost structure.

To enhance its competitive edge, the Group constantly strives to improve its core competencies to produce high precision and quality products, as well as raise the cost-

effectiveness and efficiency of its manufacturing operations to ensure faster time-to-market for customers. The Group will also 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

5 December 2018.

(d) Books closure date

26 November 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 September 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 Q3 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

Kong Wei Fung
Company Secretary
Singapore, 14 November 2018