



FU YU CORPORATION LIMITED

**SGX APPENDIX 7.2 ANNOUNCEMENT
UNAUDITED FINANCIAL CONDITION, RESULTS OF OPERATIONS AND
CASH FLOWS FOR THE FIRST QUARTER ENDED
31 MARCH 2016**

First 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 first quarter ended 31 March 2016.

GROUP	Quarter Ended 31-Mar		Change %
	2016 S\$'000	2015 S\$'000	
Revenue	52,042	58,100	(10.4)
Cost of sales	(43,238)	(49,523)	(12.7)
Gross profit	8,804	8,577	2.6
Other income	2,508	2,161	16.1
Selling and administrative expenses	(6,916)	(7,260)	(4.7)
Other operating (expenses)/income	(2,854)	1,425	NM
Finance costs	-	(11)	(100.0)
Share of profit of joint venture (net of tax)	54	255	(78.8)
Profit before income tax	1,596	5,147	(69.0)
Tax expense	(468)	(667)	(29.8)
Profit for the period	1,128	4,480	(74.8)
Profit for the period attributable to:			
Owners of the Company	989	4,039	(75.5)
Non-controlling interests	139	441	(68.5)
Profit for the period	1,128	4,480	(74.8)
Earnings per share			
- basic and diluted earnings per share (cents)	0.13	0.54	(75.9)
N.M denotes Not Meaningful			

Consolidated Statement of Comprehensive Income

GROUP	Quarter Ended 31-Mar		Change %
	2016 S\$'000	2015 S\$'000	
Profit for the period	1,128	4,480	(74.8)
Other comprehensive income Items that are or may be reclassified subsequently to profit or loss:			
Foreign currency translation differences for foreign operations	38	1,926	(98.0)
Total comprehensive income for the period	1,166	6,406	(81.8)
Total comprehensive income attributable to:			
Owners of the Company	76	6,382	(98.8)
Non-controlling interests	1,090	24	NM
Total comprehensive income for the period	1,166	6,406	(81.8)

N.M denotes Not Meaningful

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

GROUP	Quarter Ended 31-Mar		Change %
	2016 S\$'000	2015 S\$'000	
Profit before income tax is arrived at after charging/(crediting) the following:			
Interest and investment income	(479)	(393)	21.9
Gain on disposal of property, plant and equipment	(18)	(13)	38.5
Foreign exchange loss/(gain), net	2,843	(1,456)	NM
Property, plant and equipment written off	11	27	(59.3)
Allowance for doubtful trade and other receivables	-	3	(100.0)
Depreciation and amortisation	2,764	3,636	(24.0)
Allowance for inventory obsolescence and inventories written off	7	10	(30.0)
Adjustments for underprovision for tax in respects of the prior years			
- Income tax	-	-	NM

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 31 Mar 16 S\$'000 (unaudited)	As at 31 Dec 15 S\$'000 (audited)	As at 31 Mar 16 S\$'000 (unaudited)	As at 31 Dec 15 S\$'000 (audited)
Non-current assets				
Property, plant and equipment	51,980	52,399	12,429	12,069
Investment property	8,940	8,585	-	-
Subsidiaries	-	-	64,344	65,593
Joint venture	2,271	2,484	-	-
Deferred tax assets	2,383	2,464	-	-
	65,574	65,932	76,773	77,662
Current assets				
Inventories	14,684	15,017	2,039	2,517
Trade and other receivables	59,634	61,291	9,440	10,034
Tax recoverable	84	70	-	-
Amount due from subsidiary companies	-	-	4,385	3,977
Short term investments	3,840	3,637	-	-
Cash and cash equivalents	104,690	102,940	28,464	29,962
	182,932	182,955	44,328	46,490
Total assets	248,506	248,887	121,101	124,152
Equity attributable to equity holders of the Company				
Share capital	102,158	102,158	102,158	102,158
Reserves	75,985	75,909	9,859	10,817
	178,143	178,067	112,017	112,975
Non-controlling interests	20,767	19,677	-	-
Total equity	198,910	197,744	112,017	112,975
Non-current liabilities				
Trade and other payables	112	112	112	112
Deferred tax liabilities	739	909	516	647
	851	1,021	628	759
Current liabilities				
Trade and other payables	46,282	47,316	6,560	7,770
Amounts due to subsidiary companies	-	-	1,896	2,648
Tax payable	2,463	2,806	-	-
	48,745	50,122	8,456	10,418
Total liabilities	49,596	51,143	9,084	11,177
Total equity and liabilities	248,506	248,887	121,101	124,152

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

GROUP	31 Mar 2016	31 Mar 2016	31 Dec 2015	31 Dec 2015
	S\$'000 (Secured)	S\$'000 (Unsecured)	S\$'000 (Secured)	S\$'000 (Unsecured)
Amount repayable in one year or less, or on demand	Nil	Nil	Nil	Nil
Amount repayable after one year	Nil	Nil	Nil	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 31-Mar	
	2016 S\$'000	2015 S\$'000
Cash flows from operating activities		
Profit before income tax	1,596	5,147
Adjustments for:		
Depreciation and amortisation of property, plant and equipment and investment property	2,764	3,636
Gain on disposal of property, plant and equipment	(18)	(13)
Property, plant and equipment written off	11	27
Interest and investment income	(479)	(393)
Finance costs	-	11
Share of profit of joint venture (net of tax)	(54)	(255)
Unrealised exchange loss/(gain)	38	(271)
	<u>2,262</u>	<u>2,742</u>
	3,858	7,889
Changes in working capital:		
Inventories	76	(542)
Trade and other receivables	452	5,191
Trade and other payables	(1,175)	(4,116)
Cash from operating activities	<u>3,211</u>	<u>8,422</u>
Income tax paid	(771)	(885)
Net cash from operating activities	<u>2,440</u>	<u>7,537</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,667)	(2,669)
Dividends received	382	-
Proceeds from disposal of property, plant and equipment	21	24
Interest and investment income received	479	393
(Placement)/withdrawal of short-term investments	(30)	851
Net cash used in investing activities	<u>(815)</u>	<u>(1,401)</u>
Cash flows from financing activities		
Proceeds from short term borrowings and financial lease liabilities	-	1,101
Repayment of short term borrowings and financial lease liabilities	-	(2,496)
Finance costs paid	-	(11)
Deposits discharged	-	126
Net cash used in financing activities	<u>-</u>	<u>(1,280)</u>
Net increase in cash and cash equivalents	1,625	4,856
Cash and cash equivalents at beginning of financial period	99,939	79,921
Effects of exchange rate fluctuations on cash held	(16)	843
Cash and cash equivalents at end of financial period	<u>101,548</u>	<u>85,620</u>

For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of:

Group	As at 31 Mar	
	2016 S\$'000	2015 S\$'000
Cash at bank and in hand	36,162	44,133
Deposits with banks	68,528	44,704
Cash and cash equivalents	104,690	88,837
Deposits pledged	(3,142)	(3,217)
Cash and cash equivalents in the consolidated statement of cash flows	101,548	85,620

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 31 March (Group)

Group - 2016	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	Share option reserve S\$'000	Retained earnings S\$'000	Total attributable to equity holders of the Company S\$'000		
At 1 January 2016	102,158	140	6,561	789	(9,905)	-	78,324	178,067	19,677	197,744
Other comprehensive income for the quarter										
- Foreign currency translation differences	-	-	-	-	(913)	-	-	(913)	951	38
Profit for the quarter	-	-	-	-	-	-	989	989	139	1,128
Total comprehensive income for the quarter	-	-	-	-	(913)	-	989	76	1,090	1,166
At 31 March 2016	102,158	140	6,561	789	(10,818)	-	79,313	178,143	20,767	198,910

Group - 2015	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	Share option reserve S\$'000	Retained earnings S\$'000	Total attributable to equity holders of the Company S\$'000		
At 1 January 2015	121,176	140	6,073	789	(6,516)	1,627	51,627	174,916	20,244	195,160
Other comprehensive income for the quarter										
- Foreign currency translation differences	-	-	-	-	2,343	-	-	2,343	(417)	1,926
Profit for the quarter	-	-	-	-	-	-	4,039	4,039	441	4,480
Total comprehensive income for the quarter	-	-	-	-	2,343	-	4,039	6,382	24	6,406
At 31 March 2015	121,176	140	6,073	789	(4,173)	1,627	55,666	181,298	20,268	201,566

For the Quarter Ended 31 March (Company)

Company - 2016	Share capital S\$'000	Revaluation reserve S\$'000	Share option reserve S\$'000	Retained earnings S\$'000	Total equity S\$'000
At 1 January 2016	102,158	789	-	10,028	112,975
Loss for the quarter	-	-	-	(958)	(958)
Total comprehensive income for the quarter	-	-	-	(958)	(958)
At 31 March 2016	102,158	789	-	9,070	112,017

Company - 2015	Share capital S\$'000	Revaluation reserve S\$'000	Share option reserve S\$'000	Accumulated losses S\$'000	Total equity S\$'000
At 1 January 2015	121,176	789	1,153	(15,253)	107,865
Profit for the quarter	-	-	-	3,329	3,329
Total comprehensive income for the quarter	-	-	-	3,329	3,329
At 31 March 2015	121,176	789	1,153	(11,924)	111,194

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 31 March 2016 was 752,994,775 (31 December 2015: 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.

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

The Group has applied the same accounting policies and methods of computation in the financial statements for the current reporting period as compared with the audited financial statements for the year ended 31 December 2015.

However, the Group adopted the new and revised Financial Reporting Standards and interpretations that are mandatory and relevant to the Group for the financial year beginning on 1 January 2016. These are assessed to have no material impact to the Group's financial statements.

Except as otherwise indicated below, those new standards, amendments to standards, and interpretations are not expected to have a significant effect on the financial statements of the Group. The Group does not plan to adopt these standards early.

- FRS 115 *Revenue from Contracts with Customers*

FRS 115 *Revenue from Contracts with Customers* will replace FRS 18 *Revenue*, FRS 11 *Construction Contracts* and related interpretations. The standard establishes the principle for companies to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration to which the company expects to be entitled to in exchange for those goods or services. The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed (e.g. service revenue and contract modifications) and improved guidance for multi-element arrangements. The Group is currently assessing the impact upon adoption of this standard in financial year ending 31 December 2018.

- FRS 109: *Financial Instruments*

The standard replaces FRS 39 *Financial Instruments: Recognition and Measurement*. The standard sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. The Group is currently assessing the impact on adoption of this standard in financial year ending 31 December 2018.

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

Not applicable.

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 31-Mar	
	2016	2015
<i>Earnings per share</i> - basic and diluted (cents)	0.13	0.54

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 (2015: 752,994,775).

There was no difference between the basic and diluted earnings per share as the Company has no dilutive securities as at 31 March 2016 and 31 March 2015.

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	
	31 Mar 16	31 Dec 15	31 Mar 16	31 Dec 15
Net asset value (S\$'000)	178,143	178,067	112,017	112,975
Issued capital at the end of the period ('000)	752,995	752,995	752,995	752,995
Net asset value per Ordinary Share (cents)	23.66	23.65	14.88	15.00

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

The Group is in the business of manufacturing and sub-assembly of precision plastic parts and components, fabrication of precision moulds and dies and investment holding. The Group has integrated manufacturing facilities in Singapore, Malaysia and China.

Revenue

The Group's revenue decreased by S\$6.1 million or 10.4% from S\$58.1 million in Q1 2015 to S\$52.0 million in the current quarter under review. The decrease was mainly from China segment where we saw significant decrease in orders and demand from certain customers in Q1 2016 as compared to Q1 2015. The decrease in revenue in China and Singapore segments was partially offset by the increase in revenue in Malaysia segment.

Profitability

Cost of sales

Cost of sales decreased by S\$6.3 million or 12.7% from S\$49.5 million in Q1 2015 to S\$43.2 million in the current quarter under review. Other than decrease in revenue, improvement in production efficiency and better cost management drove the cost of production down. In addition, fixed costs such as depreciation decreased as certain property, plant and equipment were fully depreciated during the current quarter under review.

Gross profit

Gross profit increased by S\$0.2 million or 2.6% from S\$8.6 million in Q1 2015 to S\$8.8 million in the current quarter under review. The Group achieved gross profit margin of 16.9% in Q1 2016, which is 2.1% higher than that of 14.8% in Q1 2015.

The improvement in gross profit margin despite the decrease in revenue was due to (i) decrease in depreciation charge (ii) higher US dollars exchange rate against the Singapore dollars, Malaysia Ringgit and Chinese Renminbi in Q1 2016 as compared to Q1 2015, and (iii) better cost management and utilization of facilities.

Other income

Other income increased by S\$0.3 million or 16.1% from S\$2.2 million in Q1 2015 to S\$2.5 million in the current quarter under review. The increase in other income was mainly due to the government grant received by one of the subsidiaries in China.

Other operating (expenses)/income

Other operating expenses increased by S\$4.3 million, from other operating income of S\$1.4 million in Q1 2015 to other operating expenses of S\$2.9 million in Q1 2016. This was mainly due to foreign exchange loss of S\$2.8 million recorded in the current quarter under review, as opposed to a foreign exchange gain of S\$1.5 million in the last corresponding quarter.

The Group's foreign exchange loss in the current quarter under review was resulted from the translation of receivables, cash, payables and borrowings denominated in foreign currencies to the functional currencies of the respective companies in the Group. The weakening of USD against the Singapore Dollar, Malaysia Ringgit and Chinese Renminbi had resulted in a foreign exchange loss in the current quarter under review as the Group is at net USD assets position.

Finance costs

There was no finance costs in the current quarter under review as compared to Q1 2015 as bank borrowings were fully repaid in Q1 2015.

Share of profit of joint venture (net of tax)

The share of profit of joint venture decreased by S\$0.2 million in current quarter under review as compared to Q1 2015. The decrease in profit in joint venture was mainly due to foreign exchange loss of S\$0.3 million recorded in the current quarter under review, as opposed to a foreign exchange gain of S\$0.2 million in the last corresponding quarter. The decrease was partly offset by the improvement in profitability of the joint venture company as a result of increase in its business activities in current quarter under review.

Profit before income tax

The Group's profit before income tax decreased by S\$3.5 million from S\$5.1 million in Q1 2015 to S\$1.6 million in Q1 2016. The decrease was largely due to foreign exchange loss of S\$2.8 million recorded in the current quarter under review as compared to foreign exchange gain of S\$1.5 million in Q1 2015. The loss in foreign exchange impact was partly offset by the better gross profit achieved and increase in other income and decrease in selling and administrative expenses during the quarter under review.

Excluding the foreign exchange amounts, the Group's profit before income tax would be S\$4.4 million in Q1 2016 compared to S\$3.7 million in Q1 2015, an improvement of operating results of S\$0.7 million.

Income tax expense

Income tax expense of S\$0.5 million in the current quarter under review mainly arose from the profit-making China and Malaysian subsidiaries. The high effective tax rate of 29.3% was mainly due to no deferred tax asset was recognised for loss making subsidiaries.

Cash Flow

The Group's cash and cash equivalents (excluding cash deposits pledged) stood at S\$101.5 million as at 31 March 2016, an increase of S\$1.6 million (including effects of exchange rates fluctuations on cash held) from cash and cash equivalents as at 31 December 2015. The increase in cash and cash equivalents was attributed to net cash generated from operating activities of S\$2.4 million, offset by the net cash used in investing activities of S\$0.8 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 industry in which the Group operates in has become more challenging with the uncertain global economic outlook, while the price pressure from customers continued to be a challenge the Group has to deal with. The volatility of US Dollar since the first quarter this year poses yet another challenge to the Group as the Group is at net US Dollar assets position. Despite the challenges ahead, we will strive to secure as many orders as we can from both new and existing customers and continue to improve operational efficiency and remain proactive in our costs management to stay competitive in this industry.

11. Dividend

(a) Current Financial Period Reported On

Any dividend recommended for the current financial period reported on?

No dividends have been recommended or declared in the first quarter ended 31 March 2016.

(b) Corresponding Period of the Immediately Preceding Financial Year

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

No dividends were recommended or declared for the same quarter of last year.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

12. 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 31 March 2016.

13. 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 Q1 2016 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

14. 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

Teo Meng Keong
Company Secretary
Singapore, 13 May 2016