



**FU YU CORPORATION LIMITED
AND SUBSIDIARY COMPANIES**

**UNAUDITED FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT
FOR THE THIRD QUARTER ENDED
30 SEPTEMBER 2019**

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 2019.

GROUP	Quarter Ended 30-Sep		Change %	9 Months Ended 30-Sep		Change %
	2019 S\$'000	2018 S\$'000		2019 S\$'000	2018 S\$'000	
Revenue	51,278	52,437	(2.2)	148,051	149,621	(1.0)
Cost of sales	(42,585)	(41,859)	1.7	(121,434)	(123,031)	(1.3)
Gross profit	8,693	10,578	(17.8)	26,617	26,590	0.1
Other income	1,716	2,271	(24.4)	5,192	5,893	(11.9)
Selling and administrative expenses	(7,021)	(7,129)	(1.5)	(20,266)	(20,930)	(3.2)
Other operating income, net	1,363	398	NM	890	1,320	(32.6)
Write-back of/(Impairment loss) on trade receivables	-	51	(100.0)	-	(220)	100.0
Results from operating activities	4,751	6,169	(23.0)	12,433	12,653	(1.7)
Finance costs *	(89)	-	(100.0)	(348)	-	(100.0)
Share of loss of joint venture (net of tax)	(17)	(265)	(93.6)	(203)	(553)	(63.3)
Profit before income tax	4,645	5,904	(21.3)	11,882	12,100	(1.8)
Tax expense	(737)	(1,509)	(51.2)	(2,930)	(2,838)	3.2
Profit for the quarter/period	3,908	4,395	(11.1)	8,952	9,262	(3.3)
Profit for the quarter/period attributable to:						
Owners of the Company	3,908	4,395	(11.1)	8,952	8,950	0.0
Non-controlling interests	-	-	NM	-	312	(100.0)
Profit for the quarter/period	3,908	4,395	(11.1)	8,952	9,262	(3.3)
Earnings per share						
- basic and diluted earnings per share (cents)	0.52	0.58	(11.1)	1.19	1.19	0.0
NM denotes Not Meaningful						

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

Consolidated Statement of Comprehensive Income

GROUP	Quarter Ended 30-Sep		Change %	9 Months Ended 30-Sep		Change %
	2019 S\$'000	2018 S\$'000		2019 S\$'000	2018 S\$'000	
Profit for the quarter/period	3,908	4,395	(11.1)	8,952	9,262	(3.3)
Other comprehensive income Items that are or may be reclassified subsequently to profit or loss:						
Foreign currency translation differences for foreign operations	81	(2,374)	NM	(690)	(79)	NM
Other comprehensive income for the quarter/period (net of tax)	81	(2,374)	NM	(690)	(79)	NM
Total comprehensive income for the quarter/period (net of tax)	3,989	2,021	97.4	8,262	9,183	(10.0)
Total comprehensive income attributable to:						
Owners of the Company	3,989	2,021	97.4	8,262	8,325	(0.8)
Non-controlling interests	-	-	NM	-	858	(100.0)
Total comprehensive income for the quarter/period	3,989	2,021	97.4	8,262	9,183	(10.0)
NM denotes Not Meaningful						

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

GROUP	Quarter Ended 30-Sep		Change %	9 Months Ended 30-Sep		Change %
	2019 S\$'000	2018 S\$'000		2019 S\$'000	2018 S\$'000	
Profit before income tax is arrived at after charging/(crediting) the following:						
Interest income	(453)	(308)	47.1	(1,267)	(1,217)	4.1
Gain on disposal of property, plant and equipment	(64)	(709)	(91.0)	(95)	(791)	(88.0)
Foreign exchange gain, net	(1,629)	(405)	NM	(1,177)	(1,333)	(11.7)
Property, plant and equipment written off	266	7	NM	287	13	NM
(Write-back of)/impairment loss on trade receivables	-	(51)	(100.0)	-	220	(100.0)
Depreciation of property, plant and equipment	1,691	1,671	1.2	5,134	5,158	(0.5)
Depreciation of investment property	44	44	-	132	134	(1.5)
Depreciation of right-of-use assets*	1,235	-	100.0	3,732	-	100.0
Interest expenses on lease liabilities*	89	-	100.0	348	-	100.0
(Write-back of)/allowance for inventory obsolescence, net and inventories written off	(176)	122	NM	253	382	(33.8)
Adjustments for (over)/underprovision of income tax in respects of the prior years	(48)	4	NM	(46)	(43)	7.0
Adjustments for overprovision of deferred tax in respects of the prior years	(18)	(37)	(51.4)	(18)	(37)	(51.4)
Closure cost for Shanghai factory#						
Cost of sales	3,973	-	100.0	3,973	-	100.0
Selling and administrative expenses	813	-	100.0	813	-	100.0
NM denotes Not Meaningful						

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

The Group has announced a strategic decision to serve its customers in Shanghai from its factory in Suzhou following receipt of a notice for early lease termination of its business premises in Shanghai. An estimated closure cost has been recognised in financial period ending 30 September 2019. For more information, please refer to the Group's announcement on 23 August 2019.

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 19 S\$'000	As at 31 Dec 18 S\$'000	As at 30 Sep 19 S\$'000	As at 31 Dec 18 S\$'000
Non-current assets				
Property, plant and equipment	43,119	44,810	11,594	12,019
Right-of-use assets*	6,899	-	4,176	-
Investment property	7,916	8,043	-	-
Subsidiaries	-	-	20,631	20,631
Amount due from subsidiary companies	-	-	27,973	27,724
Joint venture	503	705	-	-
Deferred tax assets	349	772	-	-
	58,786	54,330	64,374	60,374
Current assets				
Inventories	19,045	16,946	3,462	2,703
Contract assets	3,005	2,353	1,004	923
Trade and other receivables	56,517	54,026	12,219	11,746
Amount due from subsidiary companies	-	-	3,069	4,540
Tax recoverable	62	24	-	-
Short term investments	2,340	3,596	-	-
Cash and cash equivalents	84,643	80,310	48,635	44,400
	165,612	157,255	68,389	64,312
Total assets	224,398	211,585	132,763	124,686
Equity attributable to equity holders of the Company				
Share capital	102,158	102,158	102,158	102,158
Reserves	60,060	61,963	15,945	12,612
Total equity	162,218	164,121	118,103	114,770
Non-current liabilities				
Lease liabilities*	3,930	-	3,701	-
Deferred tax liabilities	1,678	953	837	859
	5,608	953	4,538	859
Current liabilities				
Trade and other payables	50,088	43,029	8,552	8,095
Amounts due to subsidiary companies	-	-	86	86
Contract liabilities	851	581	125	191
Lease liabilities*	2,884	-	527	-
Tax payable	2,749	2,901	832	685
	56,572	46,511	10,122	9,057
Total liabilities	62,180	47,464	14,660	9,916
Total equity and liabilities	224,398	211,585	132,763	124,686

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

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

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

1(b)(iii) Details of any collaterals

Nil.

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

GROUP	Quarter Ended		9 Months Ended	
	30-Sep		30-Sep	
	2019	2018	2019	2018
	S\$'000	S\$'000	S\$'000	S\$'000
Cash flows from operating activities				
Profit before income tax	4,645	5,904	11,882	12,100
Adjustments for:				
Depreciation of property, plant and equipment	1,691	1,671	5,134	5,158
Depreciation of investment property	44	44	132	134
Depreciation of right-of-use assets*	1,235	-	3,732	-
Finance costs*	89	-	348	-
Interest income	(453)	(308)	(1,267)	(1,217)
Gain on disposal of property, plant and equipment	(64)	(709)	(95)	(791)
Property, plant and equipment written off	266	7	287	13
Share of loss of joint venture (net of tax)	17	265	203	553
Unrealised foreign exchange loss	326	1,042	363	1,021
	<u>3,151</u>	<u>2,012</u>	<u>8,837</u>	<u>4,871</u>
	7,796	7,916	20,719	16,971
Changes in working capital:				
Inventories	834	455	(2,347)	(899)
Trade and other receivables	(3,092)	(1,885)	(3,291)	(23)
Contract assets	1,000	(277)	(696)	392
Trade and other payables	3,565	2,447	7,841	608
Contract liabilities	298	(184)	287	(520)
Cash generated from operating activities	<u>10,401</u>	<u>8,472</u>	<u>22,513</u>	<u>16,529</u>
Tax paid	(678)	(455)	(1,943)	(1,591)
Net cash from operating activities	<u>9,723</u>	<u>8,017</u>	<u>20,570</u>	<u>14,938</u>
Cash flows from investing activities				
Interest income received	453	308	1,267	1,217
Proceeds from disposal of property, plant and equipment	65	781	116	866
Purchase of property, plant and equipment	(1,534)	(2,277)	(4,229)	(5,105)
(Placement)/Withdrawal of short term investments	(20)	63	1,258	1,146
Net cash used in investing activities	<u>(1,036)</u>	<u>(1,125)</u>	<u>(1,588)</u>	<u>(1,876)</u>
Cash flows from financing activities				
Repayment of lease liabilities*	(1,433)	-	(4,170)	-
Dividends paid to owners of the Company	(2,635)	(2,259)	(10,165)	(9,789)
Consideration paid for selective capital reduction #	-	-	-	(20,716)
Payment of transaction cost related to selective capital reduction	-	-	-	(555)
Deposit pledged	(25)	(26)	(76)	(77)
Net cash used in financing activities	<u>(4,093)</u>	<u>(2,285)</u>	<u>(14,411)</u>	<u>(31,137)</u>
Net increase/(decrease) in cash and cash equivalents	<u>4,594</u>	<u>4,607</u>	<u>4,571</u>	<u>(18,075)</u>
Cash and cash equivalents at beginning of financial quarter/period	76,752	70,601	77,018	92,252
Effects of exchange rate fluctuations on cash held	(72)	(1,155)	(315)	(124)
Cash and cash equivalents at end of financial quarter/period	<u>81,274</u>	<u>74,053</u>	<u>81,274</u>	<u>74,053</u>
For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise:				
Cash at bank and in hand	28,954	38,037	28,954	38,037
Deposits with banks	55,689	39,288	55,689	39,288
Cash and cash equivalents in the statement of financial position	84,643	77,325	84,643	77,325
Deposits pledged	(3,369)	(3,272)	(3,369)	(3,272)
Cash and cash equivalents in the consolidated cash flow statement	<u>81,274</u>	<u>74,053</u>	<u>81,274</u>	<u>74,053</u>

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

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

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

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

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

For the Quarter Ended 30 September (Group)

Group - 2019	Attributable to equity holders of the Company							Non-controlling interests S\$'000	Total equity S\$'000
	Share capital S\$'000	Capital reserve S\$'000	Statutory reserve S\$'000	Revaluation reserve S\$'000	Foreign currency translation		Total attributable to equity holders of the Company S\$'000		
					reserve S\$'000	earnings S\$'000			
At 1 July 2019	102,158	(415)	8,480	789	(22,660)	72,512	160,864	-	160,864
Other comprehensive income for the quarter									
- Foreign currency translation differences	-	-	-	-	81	-	81	-	81
Profit for the quarter	-	-	-	-	-	3,908	3,908	-	3,908
Total comprehensive income for the quarter	-	-	-	-	81	3,908	3,989	-	3,989
Dividends paid to shareholders of the company	-	-	-	-	-	(2,635)	(2,635)	-	(2,635)
At 30 September 2019	102,158	(415)	8,480	789	(22,579)	73,785	162,218	-	162,218

Group - 2018	Attributable to equity holders of the Company							Non-controlling interests S\$'000	Total equity S\$'000
	Share capital S\$'000	Capital reserve S\$'000	Statutory reserve S\$'000	Revaluation reserve S\$'000	Foreign currency translation		Total attributable to equity holders of the Company S\$'000		
					reserve S\$'000	earnings S\$'000			
At 1 July 2018	102,158	(415)	7,997	789	(19,343)	72,669	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	(415)	7,997	789	(21,717)	74,805	163,617	-	163,617

For the Period Ended 30 September (Group)

Group - 2019	Attributable to equity holders of the Company							Non-controlling interests	Total equity
	Share capital	Capital reserve	Statutory reserve	Revaluation reserve	Foreign currency translation		Total attributable to equity holders of the Company		
					reserve	earnings			
S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	
At 1 January 2019	102,158	(415)	8,480	789	(21,889)	74,998	164,121	-	164,121
Other comprehensive income for the period									
- Foreign currency translation differences	-	-	-	-	(690)	-	(690)	-	(690)
Profit for the period	-	-	-	-	-	8,952	8,952	-	8,952
Total comprehensive income for the period	-	-	-	-	(690)	8,952	8,262	-	8,262
Dividends paid to shareholders of the company	-	-	-	-	-	(10,165)	(10,165)	-	(10,165)
At 30 September 2019	102,158	(415)	8,480	789	(22,579)	73,785	162,218	-	162,218

Group - 2018	Attributable to equity holders of the Company							Non-controlling interests	Total equity
	Share capital	Capital reserve	Statutory reserve	Revaluation reserve	Foreign currency translation		Total attributable to equity holders of the Company		
					reserve	earnings			
S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	
At 1 January 2018	102,158	140	7,997	789	(14,672)	68,896	165,308	20,186	185,494
Other comprehensive income for the period									
- Foreign currency translation differences	-	-	-	-	(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	(415)	7,997	789	(21,717)	74,805	163,617	-	163,617

For the Quarter Ended 30 September (Company)

Company - 2019	Share capital S\$'000	Revaluation reserve S\$'000	Merger reserve S\$'000	Retained earnings S\$'000	Total equity S\$'000
At 1 July 2019	102,158	789	(1,425)	12,952	114,474
Profit for the quarter	-	-	-	6,264	6,264
Total comprehensive income for the quarter	-	-	-	6,264	6,264
Dividends paid to shareholders of the company	-	-	-	(2,635)	(2,635)
At 30 September 2019	102,158	789	(1,425)	16,581	118,103

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

For the Period Ended 30 September (Company)

Company - 2019	Share capital S\$'000	Revaluation reserve S\$'000	Merger reserve S\$'000	Retained earnings S\$'000	Total equity S\$'000
At 1 January 2019	102,158	789	(1,425)	13,248	114,770
Profit for the period	-	-	-	13,498	13,498
Total comprehensive income for the period	-	-	-	13,498	13,498
Dividends paid to shareholders of the company	-	-	-	(10,165)	(10,165)
At 30 September 2019	102,158	789	(1,425)	16,581	118,103

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

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 2019 was 752,994,775 (31 December 2018: 752,994,775).

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

Not applicable.

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

Not applicable.

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

These figures have not been audited or reviewed.

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

Not applicable.

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

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

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

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

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

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

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

Group	Quarter Ended 30-Sep		9 Months Ended 30-Sep	
	2019	2018	2019	2018
<i>Earnings per share</i> - basic and diluted (cents)	0.52	0.58	1.19	1.19

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

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

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

	Group As at		Company As at	
	30 Sep 19	31 Dec 18	30 Sep 19	31 Dec 18
Net asset value (S\$'000)	162,218	164,121	118,103	114,770
Issued capital at the end of the period ('000)	752,995	752,995	752,995	752,995
Net asset value per Ordinary Share (cents)	21.54	21.80	15.68	15.24

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

OVERVIEW

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

INCOME STATEMENT

Revenue

For the three months ended 30 September 2019 ("3Q19"), the Group's revenue dipped marginally by 2.2% to S\$51.3 million from S\$52.4 million in 3Q18. The Group's operations in Singapore, Malaysia and China registered relatively stable sales in 3Q19 compared to 3Q18.

For the nine months ended 30 September 2019 ("9M19"), the Group posted revenue of S\$148.1 million compared to S\$149.6 million in 9M18. This relatively steady performance in 9M19 was attributed to higher sales of the Singapore and Malaysia segments which offset reduced sales of the China segment.

Sales from the Singapore operations increased 2.6% to S\$36.0 million in 9M19 from S\$35.1 million in 9M18, lifted mainly by higher sales of products in the medical segment. Sales of the Malaysia segment gained 10.2% to S\$32.4 million in 9M19 from S\$29.4 million in 9M18, driven mainly by higher sales of consumer products and power tools.

Sales from the China operations decreased 6.3% to S\$79.7 million in 9M19 from S\$85.1 million in 9M18. This was attributed mainly to lower sales of the printing & imaging segment, which was partially buffered by higher sales from the consumer and medical segments.

As a result, the Singapore and Malaysia segments contributed a higher 24.3% and 21.9% to the Group's revenue in 9M19 as compared to 23.5% and 19.6% respectively in 9M18. China operations accounted for a lower 53.8% of Group revenue in 9M19 as compared to 56.9% in 9M18.

Gross Profit

The Group's gross profit decreased 17.8% to S\$8.7 million in 3Q19 from S\$10.6 million in 3Q18. Correspondingly, gross profit margin declined to 17.0% in 3Q19 from 20.2% previously. The reduction was attributed mainly to the recognition of one-time expenses in relation to the closure of the Group's subsidiary in Shanghai ("Fu Yu Shanghai") which will cease manufacturing operations by the end of December 2019. The Group is in the process of transferring the majority of its production equipment from Fu Yu Shanghai to its factory in Suzhou.

Notwithstanding the aforesaid one-time expenses, the Group sustained its gross profit for 9M19 at S\$26.6 million. This translated into a gross profit margin of 18.0% in 9M19. Excluding one-time expenses of around S\$4.0 million which was recognised in the cost of sales, the Group would have registered a higher gross profit margin of 20.7% in 9M19 compared to 17.8% in 9M18. This was attributed mainly to a shift in the Group's sales mix, as well as its ongoing initiatives to achieve better cost and operational efficiencies.

Other Income

The Group recorded other income of S\$1.7 million in 3Q19 and S\$5.2 million in 9M19, both of which were lower compared to S\$2.3 million and S\$5.9 million in 3Q18 and 9M18 respectively. This was due mainly to lower gain from sale of property, plant and equipment.

Selling and Administrative Expenses

Selling and administrative expenses in 3Q19 were largely unchanged at S\$7.0 million compared to 3Q18. These expenses also declined 3.2% to S\$20.3 million in 9M19 from S\$20.9 million in 9M18. The cost savings derived from the Group's ongoing cost control measures and a reduction in headcount more than offset the one-time expenses of S\$0.8 million that was recognised in 9M19 with respect to the closure of Fu Yu Shanghai.

Other Operating Income

The Group recorded other operating income of S\$1.4 million in 3Q19, up from S\$0.4 million in 3Q18. The increase was attributed mainly to a larger foreign exchange gain as a result of the appreciation of the US Dollar against the functional currencies of the respective companies in the Group. This was partially offset by higher property, plant and equipment written-off in 3Q19 compared to 3Q18.

For 9M19, the Group registered lower other operating income of S\$0.9 million compared to S\$1.3 million in 9M18. The reduction is due mainly to lower foreign exchange gain as well as higher property, plant and equipment written-off in 9M19.

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 in 3Q19 and 9M19 contributed to the foreign exchange gains.

Finance Costs

Following the adoption of SFRS(I) 16, the Group's operating leases are recognised as Right-Of-Use (ROU) assets and lease liabilities on its balance sheet (Please refer to section 5 for more information). With these lease liabilities, an interest expense has been charged accordingly. Hence, the Group recorded non-cash finance costs of around S\$0.1 million in 3Q19 and S\$0.3 million in 9M19.

Profit Before Income Tax

The Group's profit before income tax in 3Q19 decreased 21.3% to S\$4.6 million from S\$5.9 million in 3Q18. Profit before tax excluding foreign exchange impact and share of results of joint venture ("operating profit") amounted to S\$3.0 million in 3Q19, down from S\$5.8 million in 3Q18, due mainly to the one-time expenses in relation to the closure of Fu Yu Shanghai.

For 9M19, the Group's profit before income tax eased marginally by 1.8% to S\$11.9 million from S\$12.1 million in 9M18. Operating profit in 9M19 declined slightly by 3.6% to S\$10.9 million from S\$11.3 million in 9M18. Excluding one-time expenses totalling S\$4.8 million in 9M19, the Group's profit before income tax would have increased 37.8% to S\$16.7 million and operating profit would have gained 38.6% to S\$15.7 million in 9M19.

Tax Expense

The Group incurred tax expense of S\$0.7 million for 3Q19 and S\$2.9 million for 9M19 which translated to effective tax rates of 15.9% and 24.7% respectively. Excluding the withholding taxes which arose from services rendered to and dividend income from China subsidiaries, the effective tax rates were 15.0% for 3Q19 and 22.1% for 9M19. The Group's effective tax rate is higher than Singapore's statutory tax rate of 17% due mainly to losses incurred by certain companies which cannot be offset against profits earned by other companies within the Group, and the varying statutory tax rates of the countries in which the Group operates.

Net Profit Attributable to Owners of the Company

The Group reported net profit attributable to owners of the Company of S\$3.9 million in 3Q19, down 11.1% from S\$4.4 million in 3Q18. For 9M19, net profit attributable to owners of the Company remained stable at S\$9.0 million compared to 9M18.

Dividend

The Board of Directors has declared a second interim dividend of 0.25 cent per share. Together with the first interim dividend of 0.35 cent per share, the total dividend payment for 9M19 will be 0.60 cent per share which is the same as the dividends for 9M18. The dividend payout remained unchanged at 50.4% based on net profit attributable to owners of the Company for 9M19, when compared to 9M18.

BALANCE SHEET

As at 30 September 2019, the Group remained in a sound financial position with a cash balance of S\$84.6 million and zero borrowings. Shareholders' equity stood at S\$162.2 million, equivalent to net asset value of 21.54 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 11.24 cents per share.

Total assets as at 30 September 2019 increased to S\$224.4 million from S\$211.6 million as at 31 December 2018. The increase was attributed mainly to higher inventories, trade and other receivables, cash and cash equivalents, as well as the ROU assets following the Group's adoption of SFRS(I) 16. In line with SFRS(I) 16, operating leases are recognised as ROU assets with the corresponding lease liabilities (computed based on present value) recorded on the balance sheet.

The Group's total liabilities increased to S\$62.2 million as at 30 September 2019 compared to S\$47.5 million as at 31 December 2018, attributed mainly to the lease liabilities as a result of the adoption of SFRS(I) 16 and an increase in trade and other payables.

CASH FLOW STATEMENT

The Group generated net cash from operating activities of S\$20.6 million in 9M19. This was attributed mainly to operating profit before working capital changes of around S\$20.7 million and increase in trade and other payables, offset by increases in inventories and trade and other receivables, as well as payment for income taxes.

Net cash used in investing activities amounted to S\$1.6 million during 9M19. The Group incurred capital expenditure of S\$4.2 million which was offset partially by a withdrawal of short term investments and receipt of interest income.

Net cash used in financing activities totalled S\$14.4 million in 9M19. This was attributed mainly to payment of dividends of around S\$10.2 million to shareholders of the company during 9M19 and the repayment of lease liabilities following the adoption of SFRS(I) 16. The repayment of lease liabilities were previously classified under changes in working capital (trade and other payables).

As a result of the above, the Group's cash and cash equivalents increased to S\$84.6 million (including cash deposits pledged of S\$3.4 million) at the end of 9M19 as compared to S\$80.3 million as at 31 December 2018.

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

Not applicable.

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

The protracted trade war and geopolitical tensions continue to pose risks to global economic growth. The Group expects the operating landscape to remain challenging amid rising business uncertainties in the macro environment.

The Group's financial performance is also influenced by other factors such as intensifying industry competition, pressure on selling prices and movements in the US Dollar. Its overall sales performance is dependent on, among other factors, end-user demand for customers' products and the individual performance of each segment in the Group's diverse product portfolio.

Notwithstanding the difficult business conditions, the Group sustained its revenue and PATMI in 9M19. Excluding the one-time expenses in relation to the closure of Shanghai Fu Yu, the Group would have registered higher operating profit in 9M19.

The Group's ability to deliver stable revenue was attributed to its diversified product portfolio and its continuous efforts to optimise the efficiency of its operations in Asia. In 9M19, the Group registered higher sales of consumer and medical products as well as power tools, which helped to counterbalance weaker demand from the printing & imaging segment.

In parallel with its business development efforts, the Group continues to pursue initiatives to optimise its organisation structure and strengthen its operations. In July 2019, the Group has commenced members' voluntary liquidation process of a 40%-owned joint venture in Malaysia. Plans for a redevelopment project to expand and improve its operations in Singapore are also in the pipeline.

In August 2019, the Group announced a strategic decision to serve its customers in Shanghai from its factory in Suzhou as it prepares to cease manufacturing operations of Fu Yu Shanghai by the end of December 2019. Majority of the production equipment at Fu Yu Shanghai will be transferred progressively to the Group's factory in Suzhou. The Group expects this consolidation to benefit its operations in China as it will help to improve utilisation of production resources, lower fixed overheads and rationalise the overall cost structure to generate cost savings in the long term. (For more information, please refer to the Group's announcement on 23 August 2019.)

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

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

The Group will continue seeking ways to further optimise the cost structure of its operations.

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

11. Dividend

(a) Current Financial Period Reported On

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

Name of Dividend	Interim
Dividend Type	Cash
Dividend Rate	0.25 cent per ordinary share
Tax rate	One-tier tax exempt

(b) Corresponding Period of the Immediately Preceding Financial Year

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

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

(c) Date payable

5 December 2019

(d) Books closure date

21 November 2019

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

Not applicable.

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

There is no general mandate obtained from shareholders for IPTs.

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

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

We, Hew Lien Lee and Ching Heng Yang, being two directors of Fu Yu Corporation Limited (the "Company"), do hereby confirm on behalf of the directors of the Company that, to the best of their knowledge, nothing has come to attention of the Board of Directors of the Company which may render the Q3 2019 financial statement to be false or misleading in any material aspect.

On behalf of the Board of Directors

Hew Lien Lee
Executive Director
Chief Executive Officer

Ching Heng Yang
Vice Chairman
Executive Director

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

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

BY ORDER OF THE BOARD

Kong Wei Fung
Company Secretary
Singapore, 13 November 2019