



FU YU CORPORATION LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration Number: 198004601C)
(the “Company”)

BUSINESS UPDATE FOR 1Q20

Fu Yu Corporation Limited (the “Company” and together with its subsidiaries, the “Group”) wishes to provide a voluntary update on the Group’s business and unaudited financial performance for the three months ended 31 March 2020 (“1Q20”).

REVENUE

In 1Q20, the Group recorded lower revenue of S\$34.8 million, down 25.5% from S\$46.7 million in 1Q19. This was due mainly to decreased sales from its manufacturing operations in Singapore and Malaysia, and particularly in China where the Group’s factories had to remain closed following the Chinese New Year holidays. The Group’s factories in China have resumed operations gradually after mid-February 2020. The Group has ensured it is in strict compliance with government directives and measures to deal with the Covid-19 outbreak in the countries where it has operations.

The decrease in Group revenue in 1Q20 was a result of the following:

- **Singapore segment** - Revenue softened 10.1% to S\$10.7 million in 1Q20 from S\$11.9 million in 1Q19. This was attributed mainly to lower orders for medical and printing & imaging products. Sales of automotive products in 1Q20 were also affected by slower demand, in line with the temporary shutdown of automotive factories amid the global Covid-19 situation.
- **Malaysia segment** – Revenue also decreased 17.3% to S\$9.1 million from S\$11.0 million in 1Q19. This was due mainly to lower sales from the consumer segment which saw exceptionally higher orders in 1Q19. Sales of power tools in 1Q20 were also affected by the Movement Control Order (“MCO”) in Malaysia which led to a suspension of operations for some customers from the latter half of March 2020.
- **China segment** - Revenue dropped 37.0% to S\$15.0 million in 1Q20 from S\$23.8 million in 1Q19, due mainly to lower sales of networking & communications, consumer, and printing & imaging products. Sales of networking & communications products in 1Q20 were lower year-on-year, mainly because some of the orders had been brought forward and fulfilled earlier during 4Q19 as the Group gradually shifted business activities of its Shanghai factory (ceased manufacturing operations at the end of November 2019) to its Suzhou factory in a consolidation exercise. The temporary closure of manufacturing activities in China as directed by the Chinese government, coupled with weaker demand, led to decreased sales of consumer, and printing & imaging products in 1Q20 compared to 1Q19.

As a result of the above, Singapore’s revenue contribution to the Group expanded to 30.7% in 1Q20. Malaysia’s revenue contribution also expanded to 26.2% in 1Q20. On the other hand, China operations accounted for a lower 43.1% of Group revenue in 1Q20.

GROSS PROFIT MARGIN (GPM)

In line with lower revenue, the Group’s gross profit decreased 16.9% to S\$6.9 million in 1Q20 from S\$8.3 million in 1Q19. However, GPM in 1Q20 increased to 19.8% from 17.7% in 1Q19. This was attributed mainly to a change in the Group’s revenue mix and its ongoing initiatives to sustain cost and operational efficiencies.

PROFITABILITY

Operating profit¹ declined by 41.9% to S\$1.8 million in 1Q20 from S\$3.1 million in 1Q19, due mainly to lower gross profit.

As the Group is in net US Dollar assets position, the appreciation of the US Dollar against the Singapore Dollar and Malaysia Ringgit in 1Q20 resulted in a foreign exchange gain of S\$3.2 million versus a net foreign exchange loss of S\$0.6 million in 1Q19. This lifted the Group's PATMI² to S\$4.4 million in 1Q20, up significantly from S\$1.6 million in 1Q19.

FINANCIAL POSITION

As at 31 March 2020, the Group remained in a sound financial position with cash holdings of S\$94.4 million and zero borrowings. Shareholders' equity stood at S\$170.1 million, equivalent to net asset value of 22.6 cents per share, including cash and cash equivalents of around 12.5 cents per share.

CORPORATE UPDATES

The Group had on 18 March 2020 and 17 April 2020 provided updates on its operations in China, Malaysia and Singapore subsequent to the directives and measures put in place by authorities in the respective countries to curb the spread of Covid-19.

The Group has resumed its manufacturing operations in China after mid-February 2020. The Group has also received approval from authorities to continue its operations in Singapore during the circuit breaker period from 7 April to 4 May 2020 which was subsequently extended to 1 June 2020. However, the tightening of the list of companies that are permitted to operate during the circuit breaker may affect the operations of some of the Group's customers in Singapore ("tightened measures in Singapore").

On 18 March 2020, the government in Malaysia implemented a MCO nationwide which had been extended to 12 May 2020. Since the start of the MCO, the Group's factories in Johor and Penang have been able to continue with limited manufacturing activities for certain customers that are exempted from the shutdown.

On 1 May 2020, the government in Malaysia announced that almost all economic sectors and business activities can resume operations under conditional MCO starting from 4 May 2020. On 10 May 2020, the government extended the conditional MCO to 9 June 2020. As such, the Group has resumed normal operations at its factories in Johor and Penang, and will gradually increase its capacity in tandem with customers' demands while ensuring that the necessary measures are put in place to mitigate risks to employees' well-being amid the Covid-19 situation.

While the Group's factories in Asia are operationally ready, its customers' manufacturing operations may be hindered by travel restrictions and disruptions in supply chain. The Group's business could also be affected by rapidly changing government measures to contain the spread of Covid-19, as well as softening end-user demand due to the weaker economic outlook. As a result, these factors may lead to a slowdown in the Group's business orders and lower production/utilisation of its manufacturing operations.

Based on current assessment of the market situation, and in view of the MCO in Malaysia and tightened measures in Singapore, the Group expects its revenue to soften in 2Q20 as compared to 2Q19. However, barring unforeseen circumstances, the Group is cautiously optimistic to remain profitable at the operational level in 2Q20.

Nevertheless, with a sound balance sheet, the Group is well-positioned to overcome this challenging period and confident of its business sustainability in the long term. The Group will continue to work on initiatives to better manage costs and increase operational efficiency through automation to mitigate the

¹ Operating profit = Profit before tax excluding foreign exchange impact and share of results of joint venture

² PATMI = Net profit attributable to owners of the Company

potential effects from a slowdown in business environment. The Group has also temporarily stopped the construction works for its redevelopment project in Singapore in support of the circuit breaker measures.

In view of the rapidly changing situation around the world, the Group continues to engage closely with its customers to keep abreast of their supply chain needs, in order to respond as efficiently as possible to their production requirements.

The Group will continue to monitor the changing Covid-19 situation, and shall keep shareholders informed of any material developments as and when they arise.

By Order of the Board

Kong Wei Fung
Company Secretary
Singapore, 12 May 2020

About Fu Yu Corporation Limited

Fu Yu provides vertically-integrated services for the manufacture of precision plastic components and the fabrication of precision moulds and dies.

Since its inception in 1978, the Group has grown to become one of the largest manufacturers of high precision plastic parts and moulds in Asia. Today, the Group has established a strong presence in the region with manufacturing facilities located in Singapore, Malaysia and China.

Leveraging on over 40 years of operating history, the Group has built a broad and diversified customer base of blue chip companies in the printing and imaging, networking and communications, consumer, medical and automotive sectors.

For further information on Fu Yu, please visit the Group's website at: <http://www.fuyucorp.com/>

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