

CLOSURE OF FACTORY IN CHONGQING, CHINA

1. INTRODUCTION

The Board of Directors (the “**Board**”) of Fu Yu Corporation Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) wishes to announce that the Group intends to cease the business activities of its factory located in Chongqing, China (“**Fu Yu Chongqing**”).

2. RATIONALE

The closure of Fu Yu Chongqing is in line with the Group’s ongoing strategy to streamline and optimise its manufacturing operations across Asia. During the past three years, the Group has successfully completed the amalgamation of its operations in Singapore, privatisation of its listed subsidiary in Malaysia and consolidation of its operations in Eastern China.

As part of its plan to be better positioned for long term business sustainability, the Group is taking additional steps to rightsize and optimise its manufacturing resources in China. Due to changes in business landscape which has led to a decline in production volume at Fu Yu Chongqing, the Board believes it is in the best interests of the Group and shareholders to wind down Fu Yu Chongqing and focus on its operations located at Suzhou, Dongguan and Zhuhai in China.

Fu Yu Chongqing is a wholly-owned subsidiary of the Group via Fu Yu Moulding & Tooling (Shanghai) Co., Ltd. The Group plans to cease manufacturing operations of Fu Yu Chongqing in the last quarter of this year. Thereafter, it will be looking to transfer some of the production equipment from Fu Yu Chongqing to its other factories in China and sell the remaining equipment subject to market conditions. The Group plans to eventually liquidate Fu Yu Chongqing.

3. FINANCIAL INFORMATION

Based on the audited financial statements of Fu Yu Chongqing as at 31 December 2019, the net tangible asset (“NTA”) value was approximately RMB37.1 million (or approximately S\$7.3 million based on an exchange rate of RMB1: S\$0.1973 as at 6 August 2020).

With respect to Fu Yu Chongqing’s plant and equipment, the net book value as at 31 December 2019 was approximately RMB4.1 million (or approximately S\$0.8 million based on an exchange rate of RMB1: S\$0.1973 as at 6 August 2020).

For the financial year ended 31 December 2019, Fu Yu Chongqing contributed less than 10% and 1% to the Group’s revenue and profit before tax respectively.

The Group expects to recognise one-time estimated expenses of around S\$1.0 million in the first six months ended 30 June 2020 in relation to the closure of Fu Yu Chongqing. Save for the one-time expenses, the closure of Fu Yu Chongqing is not expected to have a material impact on the Group’s NTA and overall financial performance for the financial year ending 31 December 2020.

4. CONCLUSION

In the long term, the Group believes its China operations will benefit from the rightsizing and optimisation exercises due to a reduction in fixed overheads, more efficient use of production resources and cost savings.

None of the Directors or the controlling shareholders of the Company has any interest, direct or indirect, in the above transaction.

BY ORDER OF THE BOARD

Kong Wei Fung
Company Secretary

Singapore, 7 August 2020

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