



**FU YU CORPORATION LIMITED
AND SUBSIDIARY COMPANIES**

**UNAUDITED FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT
FOR THE HALF YEAR ENDED
30 JUNE 2020**

First Half Year 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 half year ended 30 June 2020.

| GROUP | Half Year 30-Jun | | Change % |
|--|---------------------|-----------------|-------------|
| | 2020 S\$'000 | 2019 S\$'000 | |
| Revenue | 71,583 | 96,773 | (26.0) |
| Cost of sales | (56,267) | (78,849) | (28.6) |
| Gross profit | 15,316 | 17,924 | (14.6) |
| Other income | 4,486 | 3,476 | 29.1 |
| Selling and administrative expenses | (12,630) | (13,245) | (4.6) |
| Other operating income/(expenses) | 1,974 | (473) | NM |
| Impairment loss on trade receivables | (32) | - | (100.0) |
| Results from operating activities | 9,114 | 7,682 | 18.6 |
| Finance costs | (176) | (259) | (32.0) |
| Share of loss of joint venture (net of tax) | (11) | (186) | (94.1) |
| Profit before income tax | 8,927 | 7,237 | 23.4 |
| Tax expense | (1,550) | (2,193) | (29.3) |
| Profit for the period attributable to owners of the company | 7,377 | 5,044 | 46.3 |
| Earnings per share | | | |
| - basic and diluted earnings per share (cents) | 0.98 | 0.67 | 46.3 |
| NM denotes Not Meaningful | | | |

Consolidated Statement of Comprehensive Income

| GROUP | Half Year 30-Jun | | Change % |
|---|---------------------|-----------------|-------------|
| | 2020 S\$'000 | 2019 S\$'000 | |
| Profit for the period | 7,377 | 5,044 | 46.3 |
| Other comprehensive income | | | |
| Items that are or may be reclassified | | | |
| subsequently to profit or loss: | | | |
| Foreign currency translation differences for foreign operations | 433 | (771) | NM |
| Other comprehensive income for the period (net of tax) | 433 | (771) | NM |
| Total comprehensive income for the period (net of tax) and attributable to owners of the company | 7,810 | 4,273 | 82.8 |

NM denotes Not Meaningful

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

| GROUP | Half Year 30-Jun | | Change % |
|---|---------------------|-----------------|-------------|
| | 2020 S\$'000 | 2019 S\$'000 | |
| Profit before income tax is arrived at after charging/(crediting) the following: | | | |
| Interest income | (655) | (814) | (19.5) |
| Gain on disposal of property, plant and equipment | (143) | (31) | NM |
| Foreign exchange (gain)/loss, net | (2,149) | 452 | NM |
| Property, plant and equipment written off | 175 | 21 | NM |
| Impairment loss on trade receivables | 32 | - | 100.0 |
| Depreciation of property, plant and equipment, investment property and right-of-use assets | 5,200 | 6,028 | (13.7) |
| Interest expenses on lease liabilities | 176 | 259 | (32.0) |
| Allowance for inventory obsolescence, net and inventories written off | 93 | 429 | (78.3) |
| Adjustments for (over)/under provision of income tax in respects of the prior years | (52) | 2 | NM |

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 Jun 20 S\$'000 | As at 31 Dec 19 S\$'000 | As at 30 Jun 20 S\$'000 | As at 31 Dec 19 S\$'000 |
| Non-current assets | | | | |
| Property, plant and equipment | 52,272 | 54,040 | 19,477 | 18,995 |
| Investment property | 7,683 | 7,855 | - | - |
| Subsidiaries | - | - | 20,408 | 20,408 |
| Amount due from subsidiary companies | - | - | 28,301 | 27,111 |
| Joint venture | 480 | 497 | - | - |
| Deferred tax assets | 182 | 178 | - | - |
| | 60,617 | 62,570 | 68,186 | 66,514 |
| Current assets | | | | |
| Inventories | 16,131 | 16,373 | 3,369 | 3,410 |
| Trade and other receivables | 42,379 | 49,954 | 10,242 | 9,450 |
| Contract assets | 1,525 | 1,722 | 391 | 572 |
| Tax recoverable | 3 | 3 | - | - |
| Amount due from subsidiary companies | - | - | 2,312 | 2,028 |
| Cash and cash equivalents | 101,582 | 88,455 | 56,995 | 50,566 |
| | 161,620 | 156,507 | 73,309 | 66,026 |
| Total assets | 222,237 | 219,077 | 141,495 | 132,540 |
| Equity attributable to equity holders of the Company | | | | |
| Share capital | 102,158 | 102,158 | 102,158 | 102,158 |
| Reserves | 61,756 | 61,476 | 14,150 | 14,417 |
| Total equity | 163,914 | 163,634 | 116,308 | 116,575 |
| Non-current liabilities | | | | |
| Lease liabilities | 6,936 | 7,254 | 5,504 | 5,628 |
| Deferred tax liabilities | 1,424 | 1,538 | 503 | 624 |
| | 8,360 | 8,792 | 6,007 | 6,252 |
| Current liabilities | | | | |
| Trade and other payables | 44,844 | 40,918 | 17,699 | 8,490 |
| Contract liabilities | 597 | 717 | 143 | 131 |
| Amounts due to subsidiary companies | - | - | 30 | 23 |
| Lease liabilities | 892 | 2,142 | 164 | 162 |
| Tax payable | 3,630 | 2,874 | 1,144 | 907 |
| | 49,963 | 46,651 | 19,180 | 9,713 |
| Total liabilities | 58,323 | 55,443 | 25,187 | 15,965 |
| Total equity and liabilities | 222,237 | 219,077 | 141,495 | 132,540 |

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

The Group has no borrowings and debts securities as at 30 June 2020 and 31 December 2019.

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 | Half Year 30-Jun | |
|---|-----------------------|------------------------|
| | 2020 S\$'000 | 2019 S\$'000 |
| Cash flows from operating activities | | |
| Profit before income tax | 8,927 | 7,237 |
| Adjustments for: | | |
| Depreciation of property, plant and equipment, investment property and right-of-use assets | 5,200 | 6,028 |
| Gain on disposal of property, plant and equipment | (143) | (31) |
| Property, plant and equipment written off | 175 | 21 |
| Interest income | (655) | (814) |
| Finance costs | 176 | 259 |
| Share of loss of joint venture (net of tax) | 11 | 186 |
| Unrealised foreign exchange (gain)/loss | (11) | 37 |
| | <u>4,753</u> | <u>5,686</u> |
| | 13,680 | 12,923 |
| Changes in working capital: | | |
| Inventories | 385 | (3,181) |
| Trade and other receivables | 8,288 | (199) |
| Contract assets | 216 | (1,696) |
| Trade and other payables | (4,293) | 4,276 |
| Contract liabilities | (132) | (11) |
| Cash generated from operating activities | <u>18,144</u> | <u>12,112</u> |
| Tax paid | (926) | (1,265) |
| Net cash from operating activities | <u>17,218</u> | <u>10,847</u> |
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment | (3,351) | (2,695) |
| Proceeds from disposal of property, plant and equipment | 408 | 51 |
| Withdrawal of short term investments | - | 1,278 |
| Interest income received | 655 | 814 |
| Net cash used in investing activities | <u>(2,288)</u> | <u>(552)</u> |
| Cash flows from financing activities | | |
| Repayment of lease liabilities | (1,768) | (2,737) |
| Deposit pledged | (42) | (51) |
| Dividends paid to owners of the Company | - | (7,530) |
| Net cash used in financing activities | <u>(1,810)</u> | <u>(10,318)</u> |
| Net increase/(decrease) in cash and cash equivalents | 13,120 | (23) |
| Cash and cash equivalents at beginning of financial period | 85,068 | 77,018 |
| Effects of exchange rate fluctuations on cash held | 2 | (243) |
| Cash and cash equivalents at end of financial period | <u>98,190</u> | <u>76,752</u> |
| For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise: | | |
| Cash at bank and in hand | 44,530 | 22,094 |
| Deposits with banks | 57,052 | 57,971 |
| Cash and cash equivalents in the statement of financial position | 101,582 | 80,065 |
| Deposits pledged | (3,392) | (3,313) |
| Cash and cash equivalents in the consolidated cash flow statement | <u>98,190</u> | <u>76,752</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 Period Ended 30 June (Group)

| Group - 2020 | Attributable to equity holders of the Company | | | | | | |
|---|---|----------------------------|------------------------------|--------------------------------|--------------------------------|------------------------------|-------------------------|
| | Share capital S\$'000 | Capital reserve S\$'000 | Statutory reserve S\$'000 | Revaluation reserve S\$'000 | Foreign currency | Retained earnings S\$'000 | Total equity S\$'000 |
| | | | | | translation reserve S\$'000 | | |
| At 1 January 2020 | 102,158 | (415) | 8,490 | 789 | (23,018) | 75,630 | 163,634 |
| Other comprehensive income for the period | - | - | - | - | 433 | - | 433 |
| - Foreign currency translation differences | - | - | - | - | - | 7,377 | 7,377 |
| Profit for the period | - | - | - | - | 433 | 7,377 | 7,810 |
| Total comprehensive income for the period | - | - | - | - | 433 | 7,377 | 7,810 |
| Dividend declared and approved to owners of the Company * | - | - | - | - | - | (7,530) | (7,530) |
| Transfer to statutory reserves | - | - | 209 | - | - | (209) | - |
| At 30 Jun 2020 | 102,158 | (415) | 8,699 | 789 | (22,585) | 75,268 | 163,914 |

| Group - 2019 | Attributable to equity holders of the Company | | | | | | |
|--|---|----------------------------|------------------------------|--------------------------------|--------------------------------|------------------------------|-------------------------|
| | Share capital S\$'000 | Capital reserve S\$'000 | Statutory reserve S\$'000 | Revaluation reserve S\$'000 | Foreign currency | Retained earnings S\$'000 | Total equity S\$'000 |
| | | | | | translation reserve S\$'000 | | |
| At 1 January 2019 | 102,158 | (415) | 8,480 | 789 | (21,889) | 74,998 | 164,121 |
| Other comprehensive income for the period | - | - | - | - | (771) | - | (771) |
| - Foreign currency translation differences | - | - | - | - | - | 5,044 | 5,044 |
| Profit for the period | - | - | - | - | (771) | 5,044 | 4,273 |
| Total comprehensive income for the period | - | - | - | - | (771) | 5,044 | 4,273 |
| Dividends paid to owners of the company | - | - | - | - | - | (7,530) | (7,530) |
| At 30 June 2019 | 102,158 | (415) | 8,480 | 789 | (22,660) | 72,512 | 160,864 |

*The final tax exempt (one-tier) dividend ("Final Dividend") of 1.0 Singapore cent per ordinary share in the capital of the Company for financial year ended 31 December 2019 was approved at the Annual General Meeting held on 24 June 2020. The Final Dividend was paid on 15 July 2020.

For the Period Ended 30 June (Company)

| Company - 2020 | Share capital S\$'000 | Revaluation reserve S\$'000 | Merger reserve S\$'000 | Retained earnings S\$'000 | Total equity S\$'000 |
|---|----------------------------------|--|-----------------------------------|--------------------------------------|---------------------------------|
| At 1 January 2020 | 102,158 | 789 | (1,425) | 15,053 | 116,575 |
| Profit for the period | - | - | - | 7,263 | 7,263 |
| Total comprehensive income for the period | - | - | - | 7,263 | 7,263 |
| Dividend declared and approved to owners of the company | - | - | - | (7,530) | (7,530) |
| At 30 June 2020 | 102,158 | 789 | (1,425) | 14,786 | 116,308 |

| 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 | - | - | - | 7,234 | 7,234 |
| Total comprehensive income for the period | - | - | - | 7,234 | 7,234 |
| Dividends paid to owners of the company | - | - | - | (7,530) | (7,530) |
| At 30 June 2019 | 102,158 | 789 | (1,425) | 12,952 | 114,474 |

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, subdivision, consolidation, share buy-backs, 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 June 2020 was 752,994,775 (31 December 2019: 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 modifications or emphasis of a 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 period ended 30 June 2020 are consistent with those applied in the financial statements for the year ended 31 December 2019.

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 | Half Year 30-Jun | |
|--|---------------------|------|
| | 2020 | 2019 |
| <i>Earnings per share</i> - basic and diluted (cents) | 0.98 | 0.67 |

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 (2019: 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 June 2020 and 31 December 2019.

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 June 20 | 31 Dec 19 | 30 June 20 | 31 Dec 19 |
| Net asset value (S\$'000) | 163,914 | 163,634 | 116,308 | 116,575 |
| Issued capital at the end of the period ('000) | 752,995 | 752,995 | 752,995 | 752,995 |
| Net asset value per Ordinary Share (cents) | 21.77 | 21.73 | 15.45 | 15.48 |

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 six months ended 30 June 2020 ("1H20"), Group revenue declined 26.0% to S\$71.6 million from S\$96.8 million in 1H19. This was due to decreased sales from the Group's manufacturing operations in Singapore, Malaysia and China. The slowdown in sales was attributed mainly to business disruptions as a result of the government measures that were put in place to deal with the Covid-19 situation, as well as weaker end-user demand due to a downturn in the global economy.

Sales from the Singapore operations in 1H20 eased 10.5% to S\$21.4 million compared to S\$23.9 million in 1H19. This was attributed mainly to lower sales of printing & imaging and medical products. Sales of automotive products were also affected by the temporary shutdown of factories in the automotive industry and slower end-user demand amid the global Covid-19 situation.

Sales of the Malaysia segment declined 23.5% to S\$16.6 million in 1H20 from S\$21.7 million in 1H19. The Group witnessed lower sales from the consumer segment in 1H20 compared to 1H19 due mainly to exceptionally higher orders in 1H19, as well as the impact from the Movement Control Order ("MCO") in Malaysia which led to a suspension of some customers' operations from the latter half of March 2020. The MCO also resulted in slower sales of power tools in 1H20 as compared to 1H19.

Sales from the China operations in 1H20 were down 34.4% to S\$33.6 million from S\$51.2 million in 1H19. This was due mainly to decreased sales from the printing & imaging, networking & communications, and consumer segments in 1H20. The decline in orders was attributed primarily to the temporary closure of manufacturing activities in China during 1Q20 as directed by the Chinese government, as well as slower demand amid weaker global economic conditions. In addition, the Group's consolidation of its Shanghai and Suzhou factories had also led to some orders of the networking & communications segment being brought forward and fulfilled earlier in 4Q19.

As a result, the revenue contribution from Singapore segment grew to 29.9% in 1H20 compared to 24.7% in 1H19. The contribution from Malaysia segment also edged up to 23.2% compared to 22.4% in 1H19. On the other hand, China operations accounted for a lower 46.9% of Group revenue in 1H20 as compared to 52.9% in 1H19.

Gross Profit

The Group's gross profit in 1H20 declined by 14.6% to S\$15.3 million respectively. However, the Group recorded higher gross profit margin of 21.4% in 1H20 compared to 18.5% in 1H19. This performance was attributed mainly to the change in the Group's revenue mix, a reduction in headcount and its ongoing initiatives to sustain cost and operational efficiencies.

Other Income

Other income in 1H20 rose to S\$4.5 million from S\$3.5 million in 1H19. The increase was attributed mainly to the receipt of grants of around S\$1.3 million under government schemes to support businesses amid the Covid-19 pandemic. This was offset partially by lower interest income.

Selling and Administrative Expenses

Selling and administrative expenses declined 4.6% to S\$12.6 million in 1H20 from S\$13.2 million in 1H19. This was attributed mainly to reduction in headcount and the Group's ongoing cost control measures.

Other Operating Expenses / Income

The Group recorded other operating income of S\$2.0 million in 1H20 due mainly to a foreign exchange gain of S\$2.1 million. In contrast, the Group recorded other operating expenses of S\$0.5 million in 1H19 due to a foreign exchange loss. This resulted in a positive change of around S\$2.6 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.

Finance Costs

In line with 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. With these lease liabilities, an interest expense has been charged accordingly. Hence, the Group recorded non-cash finance costs of S\$0.2 million in 1H20.

Profit Before Income Tax

The Group's profit before tax in 1H20 rose 23.4% to S\$8.9 million from S\$7.2 million in 1H19. Profit before tax excluding foreign exchange impact and share of results of joint venture ("operating profit") decreased to S\$6.8 million from S\$7.9 million in 1H19.

Tax Expense

The Group incurred tax expense of S\$1.6 million for 1H20 which translated to an effective tax rate of 17.4%. In 1H19, the Group's effective tax rate was 30.3% due mainly to the varying statutory tax rates of the countries in which the Group operates, and losses incurred by certain companies which cannot be offset against the profits earned by other companies within the Group. As these losses were reduced in 1H20, coupled with the change in foreign exchange impact (that is capital in nature and non-taxable) from a loss in 1H19 to a gain in 1H20, the Group's effective tax rate decreased in 1H20 compared to 1H19. Excluding the withholding taxes which arose from services rendered to and dividend income from China subsidiaries, the effective tax rate was 16.2% for 1H20.

Net Profit Attributable to Owners of the Company

The Group's net profit attributable to owners of the Company increased by 46.3% to S\$7.4 million in 1H20 from S\$5.0 million in 1H19, primarily on the back of higher other income and a foreign exchange gain.

Dividend

Notwithstanding the difficult operating environment, the Board of Directors has declared an interim dividend of 0.35 cent per share for 1H20, which is the same as the dividend payment for 1H19.

BALANCE SHEET

As at 30 June 2020, the Group remained in a sound financial position with a cash balance of S\$101.6 million and zero borrowings. Shareholders' equity stood at S\$163.9 million, equivalent to net asset value of 21.8 cents per share (based on the total number of issued shares of approximately 753.0 million shares) which included cash and cash equivalents of around 13.5 cents per share. The cash and cash equivalents per share as at 30 June 2020 had not taken into account the final dividend with respect to the financial year ended 31 December 2019 of 1.0 cent per share ("FY2019 dividend") which was paid on 15 July 2020.

Total assets as at 30 June 2020 increased to S\$222.2 million from S\$219.1 million as at 31 December 2019, attributed mainly to higher cash and cash equivalents which was offset partially by a reduction in trade and other receivables.

The Group's total liabilities as at 30 June 2020 increased to S\$58.3 million from S\$55.4 million as at 31 December 2019. This was attributed mainly to an increase in other payables due to accrual of FY2019 dividend, which was offset partially by lower lease liabilities. The Company has on 15 July 2020 paid the FY2019 dividend totalling S\$7.5 million.

CASH FLOW STATEMENT

The Group generated net cash from operating activities of S\$17.2 million in 1H20. This was attributed mainly to operating profit before working capital changes of around S\$13.7 million, as well as reductions in inventories and trade and other receivables. These were offset partially by a decrease in trade and other payables (excluding accrued FY2019 dividend) as well as the payment of income taxes.

Net cash used in investing activities amounted to S\$2.3 million during 1H20. The Group incurred capital expenditure of S\$3.4 million which was offset partially by interest income and proceeds from disposal of property, plant and equipment.

Net cash used in financing activities totalled S\$1.8 million in 1H20, attributed mainly to the repayment of lease liabilities.

As a result of the above, the Group's cash and cash equivalents increased to S\$101.6 million (including cash deposits pledged of S\$3.4 million) at the end of 1H20 as compared to S\$88.5 million as at 31 December 2019.

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

Looking to the second half of financial year ending 31 December 2020 (“FY2020”), the operating environment is expected to remain challenging. The Covid-19 pandemic has led to worldwide disruptions in business activities and precipitated a slowdown in global economies. The uncertainties over the trajectory and timeframe of this pandemic is expected to continue clouding the global economic outlook and pose business headwinds.

The business disruptions and dampened demand conditions were the main reasons for the decline in the Group’s sales in 1H20. In spite of the deterioration in business environment, the Group remained profitable albeit reporting a reduced operating profit compared to 1H19. Notwithstanding this, the Group has maintained its interim dividend for 1H20 at the same level as 1H19.

As the Group has adopted semi-annual financial reporting with effect from FY2020, dividends will therefore be proposed on a half-yearly basis. The Group has a policy to distribute annual dividends (including interim) of at least 50% of full-year net profit attributable to the owners of the Company. However, the final dividend payment will be subject to the Group’s assessment of business conditions, working capital needs, and capital expenditure estimates among other factors.

In light of the uncertainties surrounding the Covid-19 pandemic and its impact on the global external demand, as well as continuing political tensions, the Group foresees challenging business conditions in the second half of FY2020. The Group’s business orders and manufacturing capacity utilisation could be affected by the rapidly changing government measures to contain the spread of Covid-19, as well as softening end-user demand. 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.

As part of its plan to be better positioned for long term business sustainability, the Group is continuing to evaluate avenues to further rightsize and optimise its manufacturing operations in China. The consolidation of the Group’s Shanghai and Suzhou manufacturing operations towards the end of 2019 has been advantageous. By streamlining its China operations, the Group was able to rationalise its overall cost structure and buffer the impact of business slowdown in the aftermath of the Covid-19 outbreak.

On 7 August 2020, the Group announced that it is taking additional steps to streamline its China operations with plans to cease business activities at its factory located in Chongqing, China (“Fu Yu Chongqing”) during the last quarter of FY2020. In view of the changes in business landscape that has led to a decline in production volume at Fu Yu Chongqing, the Group made a strategic decision to wind down Fu Yu Chongqing and focus on its operations located at Suzhou, Dongguan and Zhuhai in China. The Group recognised one-time estimated expenses of around S\$1.0 million in 1H20 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 in FY2020.

In Singapore, the Group has resumed its redevelopment project at 9 Tuas Drive 1. However, the progress of this redevelopment project will be subject to any changes in government measures due to the Covid-19 situation. The Group has also obtained approval to extend the deadline for the assignment of its premises at 5 Tuas Drive 1 by another two years to 10 September 2022.

The Group's strategic initiatives to achieve its goal of delivering sustainable and profitable growth over the long term remain intact. It will maintain a diversified customer mix and product portfolio to ensure greater business resilience and stability. To this end, the Group is closely engaging customers to keep abreast of their supply chain needs in order to respond as efficiently as possible. With a focus on products with longer life cycles and higher growth potential, the Group is continually evaluating its product mix and seeking business opportunities in line with these objectives. The Group will also continue to work on initiatives to better manage costs and increase operational efficiency through automation to mitigate the potential effects from a slowdown in business environment.

With a sound financial position, the Group believes it is well-positioned to overcome this challenging period and continues to have confidence in its business sustainability in the long term.

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 | 0.35 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 | 0.35 cent per ordinary share |
| Tax rate | One-tier tax exempt |

(c) Date payable

23 September 2020

(d) Record date

08 September 2020

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 June 2020.

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 1H 2020 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 August 2020