



FU YU CORPORATION LIMITED

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

BUSINESS UPDATE FOR 3Q21

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 30 September 2021 (“3Q21”) and nine months ended 30 September 2021 (“9M21”).

REVENUE

Amid a challenging operating environment in 3Q21, the Group’s revenue declined 12.2% to S\$36.7 million from S\$41.8 million in 3Q20. This was attributed mainly to decreased sales from the Group’s manufacturing operations in China and Malaysia. Sales from the Singapore manufacturing operations dipped marginally in 3Q21 compared to 3Q20.

For 9M21, the Group’s revenue eased 5.6% to S\$107.1 million from S\$113.4 million in 9M20, due mainly to the cessation of the Group’s factory operations in Chongqing (“Fu Yu Chongqing”) in the last quarter of FY2020. Excluding Fu Yu Chongqing, the Group’s total revenue would have remained stable in 9M21 compared to 9M20.

The Singapore segment generated higher sales while the Malaysia operations achieved stable sales in 9M21 compared to 9M20. These segments partially offset reduced sales from the China operations in 9M21.

Further information on the sales performance of the Group’s Singapore, Malaysia and China segments are provided below:

- **Singapore segment** – Revenue climbed 10.1% to S\$38.1 million in 9M21 from S\$34.6 million in 9M20. Higher sales of medical products in 9M21 offset softer sales of automotive and consumer products.
- **Malaysia segment** – Revenue was relatively stable at S\$26.0 million in 9M21 compared to S\$26.3 million in 9M20. While orders of consumer products decreased in 9M21, this was counterbalanced by higher sales of printing & imaging products and power tools, as well as incremental revenue from new industrial products.
- **China segment** – Revenue declined 18.1% to S\$43.0 million in 9M21 from S\$52.5 million in 9M20. This was attributed mainly to reduced sales of printing & imaging, and networking & communications products as a result of the cessation of Fu Yu Chongqing and lower orders.

The revenue contribution from Singapore segment expanded to 35.6% in 9M21 (9M20: 30.5%). Malaysia segment’s revenue contribution also increased to 24.3% (9M20: 23.2%) while the China operations accounted for a lower 40.1% (9M20: 46.3%) of Group revenue in 9M21.

GROSS PROFIT MARGIN

Consequent to lower revenue, gross profit declined 25.7% to S\$8.4 million in 3Q21 from S\$11.3 million in 3Q20 while gross profit margin contracted to 22.9% in 3Q21 from 27.0% in 3Q20.

While the Group recorded a 5.3% decline in gross profit to S\$25.2 million from S\$26.6 million in 9M20, its gross profit margin in 9M21 was maintained at 23.5% compared to 9M20.

PROFITABILITY

(S\$ million)	3Q21	3Q20	Change	9M21	9M20	Change
Operating profit	4.0	7.6	(47.4%)	13.5	14.4	(6.3%)
Net profit	3.3	4.9	(32.7%)	12.1	12.3	(1.6%)

Operating profit¹ in 3Q21 decreased to S\$4.0 million from S\$7.6 million in 3Q20. This was attributed mainly to lower gross profit and interest income, as well as a reduction in the amount of grants received under government schemes to support businesses amid the Covid-19 pandemic ("government grants"). These factors also led to a lower operating profit of S\$13.5 million in 9M21 compared to S\$14.4 million in 9M20.

As the Group is in net US Dollar assets position, the appreciation of the US Dollar against the Singapore Dollar and Malaysia Ringgit in 3Q21 resulted in a foreign exchange gain of S\$0.5 million versus a net foreign exchange loss of S\$1.5 million in 3Q20. After accounting for foreign exchange impact and tax expenses, the Group reported a net profit of S\$3.3 million in 3Q21, down 32.7% from S\$4.9 million in 3Q20.

Foreign exchange gain in 9M21 increased to S\$1.7 million from S\$0.6 million in 9M20. As a result, the Group's net profit dipped marginally by 1.6% to S\$12.1 million in 9M21 from S\$12.3 million in 9M20.

FINANCIAL POSITION

As at 30 September 2021, the Group's balance sheet remained sound with cash holdings of S\$72.7 million and zero borrowings. Shareholders' equity as at 30 September 2021 decreased to S\$148.5 million after payment of interim and special dividends amounting to S\$27.9 million. Net asset value of 19.7 cents per share at the end of 9M21 included cash and cash equivalents of around 9.7 cents per share.

CORPORATE UPDATE

The operating landscape is anticipated to remain challenging in the last quarter of FY2021. The resurgence of infections arising from Covid-19 variants continues to weigh on the outlook of the global economy and affect global supply chains.

Global supply chains are experiencing bottlenecks due to a shortage of shipping containers and labour. Logistics issues, coupled with disruptions in production of raw materials, has caused the supply of resins to remain tight. Similarly, shipping delays have also hampered some deliveries of the Group's products to customers.

In addition, the shortage of semiconductors continues to intensify. As semiconductors are used in a wide variety of applications, the chip shortage could continue to disrupt customers' production schedules which may result in lower orders of products from the Group. The Group envisages the potential impact on its orders to be broad-based, albeit of varying magnitude across its product segments.

On top of these supply chain disruptions, local governments in China have recently begun to implement rationing of electricity power on industrial users. While the Group typically arranges its production schedules in accordance with notices from the authorities on planned power shutdowns, this has become increasingly difficult to manage especially in instances when very short notice is given. As such, the electricity power rationing has affected its China operations to a certain extent. The Group will continue to monitor the situation closely and take steps to minimise production disruptions as far as possible.

Notwithstanding the current industry headwinds, the Group continues to focus on its initiatives to drive the performance of its core manufacturing business, and pursue its goal of sustainable and profitable growth over the long term.

By Order of the Board

Kong Wei Fung
Company Secretary
Singapore, 11 November 2021

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

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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