



FU YU CORPORATION LIMITED

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

BUSINESS UPDATE FOR 1Q22

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 2022 (“1Q22”).

REVENUE

In 1Q22, the Group’s revenue more than doubled to S\$85.6 million from S\$34.7 million in 1Q21. This was driven by higher sales from its manufacturing business and new revenue streams from supply chain management services under Fu Yu Supply Chain Solutions Pte Ltd (“FYSCS”). The Group’s manufacturing business generated revenue of S\$36.3 million in 1Q22, up 4.6% from S\$34.7 million in 1Q21. FYSCS, which was acquired in July 2021, contributed revenue of S\$49.3 million in 1Q22.

Manufacturing business

While the operating landscape remained difficult amid the pandemic situation and ongoing challenges in the global supply chain, revenue of the Group’s manufacturing business increased in 1Q22 on the back of higher sales from its Malaysia and China segments. Sales from the Singapore operations were largely unchanged in 1Q22 compared to 1Q21.

Further information on the sales performance of the manufacturing business by geographical segments is provided below:

- **Singapore segment** – Revenue in 1Q22 was relatively stable at S\$12.8 million compared to S\$12.9 million in 1Q21. Higher sales of consumer products were counterbalanced by slower demand from automotive customers which was due primarily to disruption in customers’ production activities as a result of global shortage in semiconductors and other raw materials.
- **Malaysia segment** – Revenue grew 13.6% to S\$10.0 million in 1Q22 from S\$8.8 million in 1Q21. This was lifted mainly by higher sales of consumer products to existing customers.
- **China segment** – Revenue increased marginally by 3.8% to S\$13.5 million in 1Q22 from S\$13.0 million in 1Q21. Higher sales of consumer, medical and printing & imaging products helped to cushion against softer demand for networking & communications products in 1Q22.

As a percentage of total sales from the manufacturing business, the Singapore segment’s contribution contracted to 35.2% in 1Q22 (1Q21: 37.0%). Malaysia segment’s revenue contribution expanded to 27.5% (1Q21: 25.4%) while the China operations accounted for 37.3% of the manufacturing business’ revenue in 1Q22 (1Q21: 37.6%).

Supply chain management services

Following completion of the acquisition of FYSCS, its revenue was consolidated into the Group's revenue from 2H21. For 1Q22, FYSCS generated revenue of S\$49.3 million from physical commodities trading activities. This business made up 57.6% of the Group's total revenue in 1Q22.

GROSS PROFIT MARGIN

The Group's gross profit jumped 34.1% to S\$11.4 million in 1Q22 from S\$8.5 million in 1Q21. Gross profit from the manufacturing business climbed to S\$9.0 million in 1Q22 compared to S\$8.5 million in 1Q21, translating into a higher gross profit margin of 24.8% compared to 24.5% previously. FYSCS registered gross profit of S\$2.4 million and gross profit margin of 4.9% in 1Q22. As a result, the Group's composite gross profit margin in 1Q22 was 13.3% as compared to 24.5% in 1Q21 which was derived solely from its manufacturing business.

PROFITABILITY

	1Q22	1Q21	Change
	(S\$ million)	(S\$ million)	
Operating profit	6.8	4.6	47.8%
Net profit	6.0	5.1	17.6%

In line with the growth in revenue and gross profit, the Group's operating profit¹ increased 47.8% to S\$6.8 million in 1Q22 compared to S\$4.6 million in 1Q21.

As the Group is in net US Dollar assets position, the appreciation of the US Dollar against the Singapore Dollar, Malaysia Ringgit and Renminbi in 1Q22 resulted in a net foreign exchange gain of S\$0.5 million in 1Q22. This was however lower than the net foreign exchange gain of S\$1.4 million recorded in 1Q21.

As a result, the Group's net profit rose 17.6% to S\$6.0 million in 1Q22 from S\$5.1 million in 1Q21. FYSCS recorded net profit of S\$1.6 million in 1Q22. This helped to counterbalance a decline in net profit from the manufacturing business to S\$4.4 million in 1Q22 compared to S\$5.1 million in 1Q21 which was due mainly to lower foreign exchange gain.

FINANCIAL POSITION

As at 31 March 2022, the Group remained in a sound financial position with net cash of S\$59.7 million. Cash and bank balances was S\$68.4 million while total loan and borrowings amounted to S\$8.7 million as at 31 March 2022. Shareholders' equity stood at S\$159.5 million, equivalent to net asset value of 21.18 cents per share (based on the total number of issued shares of approximately 753.0 million shares) which included net cash of around 7.9 cents per share.

CORPORATE UPDATE

The economic and operating environment remains challenging amid prevailing geopolitical tensions, challenges in the supply chain and raw material production, as well as rising cost pressures. Moreover, the recent rise in COVID-19 cases in China and the implementation of government measures to stem the spread of COVID-19 have engendered heightened operating challenges and business uncertainties.

At present, the Group's factories located in Suzhou, Dongguan and Zhuhai in China remain in operation. In April, the factory in Suzhou faced some manpower constraints due to mobility restrictions in line with the government's directives that prevented employees in certain districts from travelling to work. With its experience gained from previous similar situations and well-established procedures, the Group was able to respond swiftly to manage this situation of manpower shortage by adjusting the production schedules

of its Suzhou plant to fulfil customers' orders. These mobility restrictions have been lifted since end of April 2022.

Consequent to the lockdown measures in Shanghai that started on 1 April 2022, the Group was unable to make deliveries to customers in this area. On a broader scale, the COVID-19 situation in China has also led to delays in shipment of raw materials due to port closures. This could in turn result in a deferment in order deliveries to customers.

The fluid state of COVID-19 situation and corresponding regulatory measures in China are expected to have an impact on the Group's manufacturing business in China in 2Q22. Although operations continue to run at the Group's factories, the rate of infections and extent of coronavirus-induced restrictions in China may affect customers' business activities, supply chains, and end-user demand as lockdowns weigh on the country's economy.

In addition, the Group's Malaysia operations may experience delays in deliveries of orders to customers due to global shortages of components which are exacerbated by interruptions in shipment schedules. These supply chain issues that affect the global business environment may also inhibit customers' demand in the near term.

The Group will continue to keep a close watch on the situation to manage and mitigate the challenges. Nevertheless, the Group is staying the course to rebrand its manufacturing business and elevate Fu Yu's profile as an advanced solutions provider in the high precision plastics manufacturing industry. Besides the impending launch of its new "smart factory" in Singapore in 3Q22, the Group plans to drive business development and expand the breadth of services for its manufacturing business. FYSCS will also continue to seek opportunities in commodities supply chain management services to generate additional revenue streams, while assessing avenues to reap potential cost savings in the procurement and logistics management of raw materials for the Group's manufacturing business.

By Order of the Board

Kong Wei Fung
Company Secretary
Singapore, 12 May 2022

¹ *Operating profit = Profit before tax excluding foreign exchange impact*

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, automotive and power tool sectors.

To broaden its revenue base beyond the core manufacturing business, the Group formed a new business arm in July 2021 under Fu Yu Supply Chain Solutions Pte Ltd which is engaged in the business of providing supply chain management services for commodity raw materials.

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

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