

FU YU CORPORATION LIMITED
(Company Registration No. 198004601C)
(Incorporated in the Republic of Singapore)
("Company")

PROPOSED CAPITAL REDUCTION AND PROPOSED CASH DISTRIBUTION TO SHAREHOLDERS

1. INTRODUCTION

The Board of Directors of the Company ("**Board**") wishes to announce that the Company intends to undertake a capital reduction exercise ("**Proposed Capital Reduction**") to (i) write-off accumulated losses of the Company amounting to S\$15,253,773.19 as at 31 December 2014 (the "**Accumulated Losses**") and (ii) return to shareholders of the Company ("**Shareholders**") surplus capital of the Company in excess of its needs by way of a cash distribution (the "**Proposed Cash Distribution**") amounting to an aggregate distribution of approximately S\$3,764,973.88 ("**Cash Distribution Amount**").

The books of the Company will be closed at a books closure date to be determined by the Board of Directors ("**Books Closure Date**") to determine the entitlements of Shareholders to the Cash Distribution Amount.

The Proposed Capital Reduction and the Proposed Cash Distribution will not result in a cancellation of shares in the capital of the Company ("Shares"), or a change in the number of Shares issued by the Company immediately after the Proposed Capital Reduction and the Proposed Cash Distribution.

2. DETAILS OF THE PROPOSED CAPITAL REDUCTION AND PROPOSED CASH DISTRIBUTION

The Company proposes to undertake the Proposed Capital Reduction pursuant to Section 78A read with Section 78C of the Companies Act, Chapter 50 of Singapore ("**Companies Act**").

In connection with the Proposed Capital Reduction, the Company intends to make the Proposed Cash Distribution. Based on the issued and paid-up share capital of the Company as at the date of this announcement being S\$121,176,743.27 comprising 752,994,775 Shares, the Cash Distribution Amount per Share would be S\$0.005. The actual amount to be distributed to Shareholders pursuant to the Proposed Cash Distribution will be based on the issued and paid-up share capital of the Company as at the Books Closure Date.

The Proposed Capital Reduction and the Proposed Cash Distribution will be effected in the following manner:

- (a) Reducing the issued and paid-up share capital of the Company by S\$19,018,747.07 from S\$121,176,743.27 (as at the date of this announcement) to S\$102,157,996.21;
- (b) An amount equal to S\$15,253,773.19, being part of the credit arising from the cancellation of the issued and paid-up share capital of the Company, will be applied to write off the Accumulated Losses; and
- (c) The remaining amount of S\$3,764,973.88, being part of the credit arising from the cancellation of the issued and paid-up share capital of the Company, will be paid out to Shareholders on the basis of their shareholdings in the Company as at the Books Closure Date.

3. RATIONALE

The Directors are of the view that undertaking the Proposed Capital Reduction to write off accumulated losses would serve to rationalise and better present the balance sheet of the Company to reflect its underlying assets and financial position. In addition, the Proposed Capital Reduction will facilitate any future equity-related fund-raising to recapitalise and strengthen the balance sheet of the Company.

The Proposed Cash Distribution would return to Shareholders as at the Books Closure Date the Cash Distribution Amount which comprises the paid-up capital in excess of the immediate requirements of the Company. The Proposed Capital Reduction and Proposed Cash Distribution, if effected, would result in the Company having a more efficient capital structure, thereby also improving Shareholders' return on equity. In determining the level of capital to be returned to Shareholders, the Company has ensured that it retains sufficient capital for business and operational needs.

4. APPROVALS AND CONDITIONS FOR THE PROPOSED CAPITAL REDUCTION AND PROPOSED CASH DISTRIBUTION

The Proposed Capital Reduction and Proposed Cash Distribution is subject to, *inter alia*, the following:

- (a) the approval of Shareholders by special resolution at an extraordinary general meeting of the Company to be convened ("**Capital Reduction Resolution**");
- (b) the Board making a solvency statement in relation to the reduction of the share capital of the Company and compliance with other relevant solvency requirements as prescribed by the Companies Act ("**Solvency Statements**");
- (c) notification to the Comptroller of Income Tax of the passing of the Capital Reduction Resolution within eight (8) days beginning with the date on which the Capital Reduction Resolution was passed ("**Resolution Date**");
- (d) the Company complying with the relevant publicity requirements as prescribed in the Companies Act;
- (e) lodgement with the Accounting and Corporate Regulatory Authority ("**ACRA**") of copies of the Solvency Statements and the Capital Reduction Resolution, within fifteen (15) days beginning with the Resolution Date;
- (f) no application being made for the cancellation of the Capital Reduction Resolution by any creditor of the Company within the timeframe prescribed by the Companies Act, or if such application was made, the dismissal thereof by the judicial authorities; and
- (g) lodgement of the relevant documents with ACRA after the end of the six (6) weeks (but before the end of eight (8) weeks) beginning with the Resolution Date.

5. DESPATCH OF CIRCULAR

Subject to receipt of the in-principle approval from the Singapore Exchange Securities Trading Limited, a circular to Shareholders containing further details of the Proposed Capital Reduction and Proposed Cash Distribution will be despatched to Shareholders in due course.

Meanwhile, Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Company's securities. Shareholders should consult their stockbrokers, solicitors or other professional advisors if they have any doubts about the actions they should take.

BY ORDER OF THE BOARD

FU YU CORPORATION LIMITED

Low Siew Tian

Company Secretary

Singapore, 20 April 2015