



FU YU CORPORATION LIMITED

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

BUSINESS UPDATE FOR 3Q20 AND 9M20

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 2020 (“3Q20”) and nine months ended 30 September 2020 (“9M20”).

REVENUE

In 3Q20, the Group’s revenue declined 18.5% to S\$41.8 million from S\$51.3 million in 3Q19. This was attributed mainly to decreased sales from the Group’s manufacturing operations in China and Malaysia, which was buffered partially by higher sales from the Singapore segment.

For 9M20, the Group posted revenue of S\$113.4 million, down 23.4% from S\$148.1 million in 9M19 due primarily to lower sales from its Malaysia and China segments amid the challenging business environment. Nonetheless, sales generated from the Singapore operations were relatively stable.

The decrease in Group revenue in 9M20 was a result of the following:

- **Singapore segment** - Revenue dipped marginally by 3.9% to S\$34.6 million from S\$36.0 million in 9M19. Higher sales of consumer products in 9M20 helped to cushion the impact of a decline in sales of printing & imaging products, as well as automotive products which was affected by a slowdown in the automotive industry amid the global Covid-19 situation.
- **Malaysia segment** – Revenue decreased 18.8% to S\$26.3 million from S\$32.4 million in 9M19. Malaysia operations registered higher sales from its medical segment which partially counterbalanced slower sales of consumer products and power tools in 9M20 versus 9M19. The decline in sales of consumer products and power tools in 9M20 was due primarily to the Movement Control Order (“MCO”) in Malaysia which led to a suspension of some customers’ operations from the latter half of March 2020, as well as weaker demand conditions. The consumer segment also experienced exceptionally higher orders during 9M19.
- **China segment** - Revenue declined 34.1% to S\$52.5 million from S\$79.7 million in 9M19. This was due mainly to decreased sales from the printing & imaging, networking & communications, and consumer segments in 9M20. Orders received in these product segments were weaker in 9M20, due primarily to the temporary closure of manufacturing activities in China during 1Q20 and lower demand amid deterioration in global economic conditions. In addition, the consolidation of the Group’s factories in Shanghai and Suzhou had also led to some orders of the networking & communications segment being brought forward and fulfilled earlier in 4Q19.

As a result of the above, the Singapore segment’s revenue contribution to the Group expanded to 30.5% in 9M20 compared to 9M19. Malaysia segment’s revenue contribution also increased to 23.2%, while China operations accounted for a lower 46.3% of Group revenue in 9M20.

GROSS PROFIT MARGIN (GPM)

Notwithstanding lower revenue, the Group registered a 29.9% increase in gross profit to S\$11.3 million in 3Q20 from S\$8.7 million in 3Q19 as GPM expanded to 27.0% from 17.0% previously.

For 9M20, gross profit held steady at S\$26.6 million compared to 9M19 despite the decrease in Group revenue. GPM for 9M20 also expanded to 23.5% from 18.0% in 9M19. The Group recognised one-time expenses of around S\$0.8 million under its cost of sales in 9M20. This was in relation to the closure of its factory in Chongqing, China (“Fu Yu Chongqing”) which will cease business activities in the last quarter

of 2020. In comparison, the Group incurred one-time expenses of S\$4.0 million in 9M19 due to the cessation of its factory operations in Shanghai, China (“Fu Yu Shanghai”).

Excluding these one-time expenses that are recognised under its cost of sales, the Group would still have registered a higher GPM of 24.2% in 9M20 versus 20.7% in 9M19. The higher GPM can be attributed mainly to the change in revenue mix, a reduction in headcount as well as the Group’s ongoing initiatives to sustain cost and raise operational efficiencies.

PROFITABILITY

3Q20 Operating Profit and PATMI

Operating profit¹ more than doubled to S\$7.6 million in 3Q20 from S\$3.0 million in 3Q19, attributed mainly to the absence of one-time expenses related to closure of Fu Yu Shanghai which was recognised in 3Q19.

As the Group is in net US Dollar assets position, the depreciation of the US Dollar against the Singapore Dollar and Malaysia Ringgit in 3Q20 resulted in a foreign exchange loss of S\$1.5 million versus a net foreign exchange gain of S\$1.6 million in 3Q19. This led to a negative change of around S\$3.1 million between the two financial periods. Notwithstanding this, the Group’s PATMI² climbed 25.6% to S\$4.9 million in 3Q20 from S\$3.9 million in 3Q19.

9M20 Operating Profit and PATMI

For 9M20, the Group recorded an increase in operating profit to S\$14.4 million, up 32.1% from S\$10.9 million in 9M19, due primarily to a reduction in one-time expenses related to the closure of Fu Yu Chongqing and Fu Yu Shanghai between the two corresponding periods.

One-time expenses recognised under:	9M20 (Closure of Fu Yu Chongqing)	9M19 (Closure of Fu Yu Shanghai)
- Cost of sales	S\$0.8 million	S\$4.0 million
- Selling & administrative expenses	S\$0.2 million	S\$0.8 million
Total	S\$1.0 million	S\$4.8 million

Excluding these one-time expenses, the Group’s operating profit in 9M20 remained largely stable at S\$15.4 million versus S\$15.7 million in 9M19 despite lower revenue. This was attributed mainly to higher other income which included receipt of grants under government schemes to support businesses amid the Covid-19 pandemic and lower selling & administrative expenses.

Foreign exchange gain in 9M20 reduced to S\$0.6 million from S\$1.2 million in 9M19. After accounting for the foreign exchange impact, share of results of joint venture and tax expenses, the Group’s PATMI grew 36.7% to S\$12.3 million in 9M20 from S\$9.0 million in 9M19.

FINANCIAL POSITION

As at 30 September 2020, the Group remained in a sound financial position with cash holdings of S\$97.8 million and zero borrowings. Shareholders’ equity stood at S\$167.5 million, equivalent to net asset value of 22.2 cents per share, including cash and cash equivalents of around 13.0 cents per share.

By Order of the Board

Kong Wei Fung
Company Secretary
Singapore, 11 November 2020

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

² PATMI = Net profit attributable to owners of the Company

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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