

FU YU CORPORATION LIMITED
(Incorporated in the Republic of Singapore)
(Company Registration Number: 198004601C)
(the “**Company**”)

CLOSURE OF OPERATIONS IN SHANGHAI, CHINA

1. INTRODUCTION

The Board of Directors (the “**Board**”) of Fu Yu Corporation Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) wishes to announce that the Group has made a strategic decision to serve its customers in Shanghai from its factory in Suzhou following receipt of a notice for early lease termination of its business premises in Shanghai. As such, the Group will close its factory in Shanghai and transfer most of its assets to the Suzhou factory.

2. ASSETS TRANSFER FROM FU YU SHANGHAI TO FU YU SUZHOU

Pursuant to the lease agreement for the Group’s business premises in Shanghai, the landlord has informed the Group’s wholly-owned subsidiary, Fu Yu Moulding & Tooling (Shanghai) Co., Ltd (“**Fu Yu Shanghai**”), that the lease will be terminated on 31 January 2020, in advance of the original expiry date of 31 August 2021.

As such, the Group will cease the manufacturing operations of Fu Yu Shanghai by the end of December 2019. The Group plans to eventually liquidate Fu Yu Shanghai, following which, Fu Yu Shanghai will cease to be a subsidiary.

In view of the current business conditions and relatively higher operating costs in Shanghai, the Group believes that it will be viable and more cost-efficient in the long run to support its business activities in the Eastern China region from its wholly-owned subsidiary, Fu Yu Moulding & Tooling (Suzhou) Co., Ltd (“**Fu Yu Suzhou**”), which operates its factory in Suzhou. Given the geographical proximity between Shanghai and Suzhou, the Group will continue serving its customers located in Shanghai from the Suzhou factory which has a larger production capacity than its Shanghai factory. This move will also help to improve utilisation of resources and rationalise the overall cost structure of its manufacturing operations in China.

To this end, Fu Yu Shanghai has on 8 August 2019 entered into a master asset transfer agreement (“**Asset Transfer Agreement**”) with Fu Yu Suzhou for the transfer of majority of its production equipment to Fu Yu Suzhou (the “**Assets Transfer**”).

The consolidation of its business activities in Eastern China is in line with the Group’s ongoing strategy to streamline and optimise its operations across Asia. In the past two years, the Group successfully completed the amalgamation of its operations in Singapore and the privatisation of its listed subsidiary in Malaysia.

3. FINANCIAL INFORMATION

The assets will be transferred over a period of time from the date of the Asset Transfer Agreement up to 31 January 2020, for a cash consideration which will be based on the net book value of the assets at the point of transfer (the “**Transfer Price**”). The Transfer Price will be payable progressively by Fu Yu Suzhou to Fu Yu Shanghai as the assets are being transferred over to Fu Yu Suzhou.

Based on the audited financial statements of Fu Yu Shanghai as at 31 December 2018, it recorded (i) a net book value of approximately RMB21,122,000 (or approximately S\$4,142,000 based on an exchange rate of RMB1 : S\$0.1961 as at 21 August 2019) as at 31 December 2018, and (ii) net tangible asset value of approximately RMB102,947,000 (or approximately S\$20,188,000 based on an exchange rate of RMB1 : S\$0.1961 as at 21 August 2019) as at 31 December 2018. No independent valuation was conducted on Fu Yu Shanghai.

The Group expects to recognise one-time estimated expenses of approximately S\$5.5 million in the current financial year ending 31 December 2019 as a result of the closure of Fu Yu Shanghai.

4. CONCLUSION

Excluding the aforesaid one-time expenses, the Board is of the opinion that the consolidation of its business activities in Eastern China is in the best interests of the Company and its shareholders. The Group expects its operations in China to benefit from lower fixed overheads, more efficient use of production resources and cost savings in the long term.

None of the Directors or the controlling shareholders of the Company has any interest, direct or indirect, in the above transaction.

BY ORDER OF THE BOARD

Kong Wei Fung
Company Secretary

Singapore, 23 August 2019

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