



FU YU CORPORATION LIMITED

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

ANNUAL GENERAL MEETING TO BE HELD ON 27 APRIL 2021 – RESPONSES TO QUESTIONS FROM SHAREHOLDERS

The Board of Directors of Fu Yu Corporation Limited (the “Company” and together with its subsidiaries, the “Group”) wishes to thank shareholders for submitting their questions in advance of the Annual General Meeting (“AGM”) to be held by way of electronic means on Tuesday, 27 April 2021 at 3.00 p.m. (Singapore time).

The Company’s responses to the substantial and relevant questions that were raised by shareholders are set out below.

GENERAL BUSINESS

Q1. Any detrimental impact to the company's business and operations arising from the supply chain disruption and resulting soaring freight cost?

The Group has, thus far, not encountered major issues from the increase in freight costs caused by supply chain disruption. However, a supply-demand imbalance has resulted in rising prices of resin in recent months. Resin is a key raw material that the Group uses in its manufacturing activities.

To-date, we have not experienced any significant issues with the supply of resin or material impact on our gross profit margin due to higher prices of resin. Nevertheless, we will continue to monitor the situation and work closely with our customers on the procurement of raw materials to mitigate any potential adverse effects.

Q2. What's the business outlook for the year? With the introduction of a new major shareholder, any major expansion plan? If not, any plan to return surplus cash to shareholders to optimise the capital structure of the company? Will the company consider tapping the debt market given the low interest rate for debt?

The global economic environment remains uncertain in view of the Covid-19 pandemic and prevailing geopolitical tensions. While business headwinds are expected to continue into FY2021, we believe our robust financial position will position the Group to overcome hurdles and pursue our long term goals.

Moving forward, the Group's key strategic thrusts remain unchanged – to maintain a diversified customer and product portfolio for business resilience and stability; optimise our operations; and safeguard our financial position. We will continue to reinforce our business development efforts and focus on products with longer life cycles and higher growth potential such as medical and environment-related products. At the same time, the Group is continuing with its efforts to raise the level of automation at our factories.

With regards to the level of cash holding, the Group takes into consideration its working capital requirements, capital expenditure, funds necessary to support business plans, cash buffer to ride out difficult business cycles and payment of dividends to shareholders. At this juncture, the Group does not have any capital reduction plans or intention to tap the debt market.

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- Q3. Can the Board give us an overview of the future plans of the company for the next 10 year horizon? As the plastic injection moulding industry is very competitive, how does the company intend to differentiate itself from the other competitors and increase its market share in the industry?**

The Group is presently focused on improving our precision plastics injection moulding business. Over the past years, we have seen success in our efforts to optimise our organisational structure, as well as to diversify our customer base and product portfolio which has benefited the Group in terms of business resilience and stability. Going forward, our strategy is to continue serving a diversified mix of customers and focus on our business development efforts on market segments with longer life cycles and higher growth potential. On a longer-term horizon, the Board is also continually evaluating viable business expansion and/or diversification opportunities that could enhance shareholder value in future.

Fu Yu is one of the largest manufacturers of high precision plastic parts and moulds in Asia. The Group is backed by a sound reputation and long-standing customer base comprising blue-chip companies from diverse industries. The Group's customer value-add stems from our strong local manufacturing support and one-stop solution spanning tool design and fabrication, to moulding, secondary processes and sub-assembly services. With a healthy financial position, the Group has the ability to continually invest in advanced technologies and automation to raise the level of precision and quality, improve delivery lead time and enhance cost efficiencies to stay ahead of competition.

DIVIDEND

- Q4. With the introduction of a new major shareholder, any change to the current dividend policy?**

There is no change to our current dividend policy which is to distribute at least 50% of profit attributable to the owners of the Company as dividends, subject to business conditions, the Group's cash position and its requirements for working capital, capital expenditure and/or business expansion plans.

DIRECTORS / SHAREHOLDER

- Q5. With the retirement of the three founders, it seemed like that there's a lack of depth in the new board with manufacturing experience. Does the Company still retain the expertise and knowledge to run the business well? Any plan to beef up the board?**

The Board currently comprises a mix of existing and new directors. The Group's current CEO and Executive Director, Mr Hew Lien Lee continues to spearhead and oversee our manufacturing operations together with his core management team across the Group's factories in Singapore, Malaysia and China. Mr Hew and his team have a wealth of experience in precision moulds and plastic components manufacturing industry. The profiles of our CEO and key executives are disclosed on pages 8 to 10 of the Group's annual report for the financial year ended 31 December 2020.

As part of a Board renewal, we have appointed new members who bring with them corporate experience and business network that could facilitate new opportunities for the Group. The Board will continually evaluate the requirement for new members who can help to strengthen the Board in various aspects such as value creation, sustainability, risk management, transparency and accountability.

Q6. Background information on the new major shareholder, Mr. Wang Shao Ren, and his growth plans for Fu Yu.

Please refer to the Company's announcement that was posted on SGX website on 22 January 2021 (the "**Announcement**"). The new shareholder of Fu Yu is a Singaporean private investor who had mandated Pilgrim Partners (Asia) Pte. Ltd. ("**Pilgrim**"), a fund manager to seek investment opportunities in the precision engineering / manufacturing industry.

At present, the Group's core businesses remain unchanged and the management team continues to execute strategies to develop our precision plastics manufacturing business in Asia to achieve sustainable and profitable growth over the long term.

Q7. Why did Pilgrim not make a general offer to the rest of the minority shareholders, and provide an exit option to minority shareholders if they so wish? What is Pilgrim's plans and vision for Fu Yu? Does Pilgrim understand Fu Yu's business well? What reassurances do we have that Pilgrim will not run Fu Yu to the ground?

The Company does not represent Pilgrim and hence, we are not in a position to comment on Pilgrim's investment decisions.

As covered in our response to Q5 and in the Announcement, Pilgrim was mandated by a Singaporean private investor to seek investment opportunities in the precision engineering / manufacturing industry. At present, the Group's core business operations and plans for our precision plastics manufacturing business in Asia remained unchanged.

Our manufacturing business continues to be led and managed by the Group's current CEO and Executive Director, Mr Hew Lien Lee and his core management team. Together, they oversee and drive our manufacturing operations in Singapore, Malaysia and China.

As disclosed in the Announcement, while the founders' share sale transactions in January 2021 are personal investment decisions, the Board understands that the founders had deliberated at length before transacting their shareholdings in the Company with a suitable buyer who would appreciate the value and strengths of the Group's business and future potential.

Q8. I note that Pilgrim is a local fund management company that is responsible to its own set of fund investors. How does the company ensure that minority shareholders of Fu Yu are protected, going forward?

The Company is not a representative of Pilgrim, hence we are unable to comment on Pilgrim's investment actions or decisions.

However, on the Company's front, the Board of Fu Yu is required to objectively discharge their duties and responsibilities in the interests of all our shareholders. The principal function of the Board is to protect and enhance long-term value and returns for the Company's shareholders. With this in mind, the Board is responsible for overseeing the Group's performance and strategic direction, as well as corporate governance standards among others. The Independent Directors also make up a majority of the Board which enables them to act as a check and balance on the actions of the Board and management of the Company.

Q9. What is the rationale for appointing Mr Seow as an executive director given that he has no operating or relevant experience in the plastic injection moulding industry?

While Mr Seow does not have direct experience in manufacturing business, the Board believes the injection of new blood could bring fresh perspectives and ideas to the Group. Mr Seow's business network and knowledge gained from his corporate experience with diverse companies can be beneficial to other aspects of the Group's operations such as business development and organisational process improvements.

Q10. Can the board share the rationale for the resignation of Mr Choo Boon Tiong so soon after he was appointed as Vice Chairman and Executive Director of the company? Will there be a replacement for Mr Choo Boon Tiong? If yes please consider candidates with relevant experience in the industry as a priority.

Mr Choo has tendered his resignation for personal reasons. With regards to the appointment of new director(s), please see our response to Q5. The Board acknowledges and appreciates your feedback.

By Order of the Board
Kong Wei Fung
Company Secretary
Singapore, 23 April 2021

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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