NEWS RELEASE

Fu Yu posts 46.3% increase in PATMI to S$7.4 million in 1H20

- Revenue softened 26.0% to S$71.6 million in 1H20
- Gross profit margin in 1H20 improved to 21.4% from 18.5% previously
- Interim dividend maintained at 0.35 cent per share for 1H20
- Resilient balance sheet comprising cash of S$101.6 million and zero borrowings

Singapore, 14 August 2020 – Fu Yu Corporation Limited ("Fu Yu" or the "Group"), a vertically integrated manufacturer of precision plastic components in Asia, today reported 46.3% growth in net profit attributable to owners of the Company ("PATMI") to S$7.4 million for the six months ended 30 June 2020 ("1H20") from S$5.0 million in 1H19.

Group revenue for 1H20 softened 26.0% to S$71.6 million from S$96.8 million previously. This reflects the impact of business disruptions and dampened demand conditions as the Covid-19 pandemic is taking a toll on global economies. The Group however, registered a higher gross profit margin of 21.4% compared to 18.5% in 1H19, which helped to partially blunt the impact of slower sales in 1H20.

The Group's Singapore segment saw its revenue easing 10.5% to S$21.4 million in 1H20 due mainly to lower sales of printing & imaging, medical and automotive products. Revenue from the Malaysia segment also decreased 23.5% to S$16.6 million due mainly to lower orders of consumer products and power tools. The China segment's revenue slid 34.4% to S$33.6 million in 1H20, attributed primarily to decreased sales of printing & imaging, networking & communications and consumer products. These reductions in customer orders during 1H20 were attributed primarily to workplace restrictions that led to suspension of operations for some customers and end-users, and weaker market demand as Covid-19 gripped the global economies.

Despite lower revenue, the Group's profit before tax rose 23.4% to S$8.9 million in 1H20 from S$7.2 million in 1H19 primarily on the back of higher other income and a foreign exchange gain. Excluding the foreign exchange impact and share of result of joint venture, the Group reported operating profit before tax ("operating profit") of S$6.8 million in 1H20 compared to S$7.9 million in 1H19.

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Said Mr Elson Hew, Chief Executive Officer of Fu Yu, “In spite of the deterioration in business environment during 1H20, the Group remained profitable albeit reporting a reduced operating profit compared to 1H19. Notwithstanding this, the Group has maintained its interim dividend for 1H20 at 0.35 cent per share. We believe this is a clear signal of the Group’s confidence to ride out the current business challenges.”

As the Group has adopted semi-annual financial reporting with effect from the financial year ending 31 December 2020 (“FY2020”), it will therefore also propose dividends on a half-yearly basis. The Group has a policy to distribute annual dividends (including interim) of at least 50% of full-year net profit attributable to the owners of the Company. However, the final dividend payment will be subject to the Group’s assessment of business conditions, working capital needs, and capital expenditure estimates among other factors.

At the end of June 2020, the Group remained in a sound financial position with a cash balance of S$101.6 million and zero borrowings. Shareholders’ equity stood at S$163.9 million, equivalent to net asset value of 21.8 cents per share which included cash and cash equivalents of around 13.5 cents per share.

Looking ahead, the operating environment is anticipated to remain difficult. The uncertainties over the trajectory and timeframe of the Covid-19 pandemic is expected to continue clouding the global economic outlook and pose business headwinds. In light of the downside risks to global external demand and continuing political tensions, the Group foresees challenging business conditions in the second half of FY2020. The Group’s financial performance is also influenced by other factors such as intensifying industry competition and movements in the US Dollar.

Mr Hew added, “The key thrusts of the Group’s strategy to manage and overcome the current hurdles are to continue our efforts to optimise our operations, maintain a diversified customer base and product portfolio, and safeguard our financial position. The consolidation of the Group’s Shanghai and Suzhou manufacturing operations towards the end of 2019 has been advantageous as it allowed us to rationalise the Group’s cost structure and buffer the impact of business slowdown during 1H20.”

The Group continues to evaluate avenues to further rightsize and optimise its manufacturing operations in China to ensure it is better positioned for long term business sustainability. To this end, the Group has on 7 August 2020 announced that it intends to cease business activities at its factory located in Chongqing, China (“Fu Yu Chongqing”) during the last quarter of FY2020 as Fu Yu Chongqing has experienced a decline in production volume amid changes in the business landscape. This closure will enable the Group to further streamline its manufacturing resources and focus on its operations located at Suzhou, Dongguan and Zhuhai in China. The closure of Fu Yu Chongqing resulted in the recognition of one-time expenses of around S$1 million in 1H20.

With regards to its operations in Singapore, the Group has resumed its redevelopment project at 9 Tuas Drive 1. However, the progress of this redevelopment project will be subject to any changes in government measures due to the Covid-19 situation. The Group has also obtained approval to extend the deadline for the assignment of its premises at 5 Tuas Drive 1 by another two years to 10 September 2022.

To achieve its goal of delivering sustainable and profitable growth over the long term, the Group will maintain a diversified customer mix and product portfolio to ensure greater business resilience and stability. With a focus on products with longer life cycles and higher growth potential, the Group is continually evaluating its product mix and seeking business opportunities in line with these objectives. It will also execute initiatives to better manage costs and maximise operational efficiency.

In this demanding period for many businesses, the Group continues to have confidence in its business sustainability as it has built a sound balance sheet to endure difficult times.

This news release is to be read in conjunction with the Group's announcement posted on the SGX website on 14 August 2020.

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/