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FuYu

NEWS RELEASE

Fu Yu posts 27.4% jump in PATMI to S$3.7 million in 4Q19

- PATMI for FY2019 increased 6.8% to S$12.7 million
- PATMI soared 54.0% to S$18.3 million and gross profit margin expanded to 21.9% in FY2019, excluding one-time expenses
- Sound balance sheet with cash balance of S$88.5 million and zero borrowings
- Executing plans to strengthen its factory operations in Suzhou and Singapore

Singapore, 24 February 2020 – Fu Yu Corporation Limited ("Fu Yu" or the "Group"), a vertically integrated manufacturer of precision plastic components in Asia, today reported a robust increase in net profit attributable to owners of the Company ("PATMI") to S$3.7 million in the three months ended 31 December 2019 ("4Q19"). This represented an increase of 27.4% from S$2.9 million in 4Q18.

While the Group recorded slightly lower revenue of S$46.1 million in 4Q19 compared to S$48.1 million, its gross profit margin expanded to 25.2% from 18.1% previously which boosted its 4Q19 PATMI.

For the year ended 31 December 2019 ("FY2019"), the Group also achieved higher PATMI of S$12.7 million, up 6.8% from S$11.9 million in FY2018, despite incurring one-time expenses in relation to the closure of its subsidiary in Shanghai ("Fu Yu Shanghai") ("one-time expenses").

Thanks to its diversified product portfolio, the Group delivered relatively stable revenue of S$194.1 million in FY2019 amid an uncertain economic backdrop caused by global trade tensions. This was a marginal dip of 1.8% when compared to S$197.7 million in FY2018.

The Group's Malaysia segment recorded revenue growth of 10.7% to S$42.2 million in FY2019, driven mainly by higher sales of consumer products and power tools. The Singapore segment displayed steady sales performance in FY2019. Its revenue of S$46.3 million was underpinned mainly by stable sales of medical and automotive products. Both of these segments helped to moderate the impact of lower sales from the China segment which posted a 6.0% decline in revenue to S$105.6 million in FY2019 due mainly to lower sales derived from the printing & imaging segment. As a result, the revenue contribution from Malaysia segment grew to 21.7% while the contribution from Singapore segment remained unchanged at 23.9% in FY2019. The remaining 54.4% was contributed by the China operations.

MEDIA AND INVESTOR RELATIONS CONTACT
OCTANT CONSULTING
phone (65) 62963583
Herman Phua | mobile 9664 7582 | email herman@octant.com.sg
Lisa Heng | mobile 9090 9887 | email lisa@octant.com.sg

As a result of its efforts to enhance sales mix and the ongoing initiatives to achieve better cost and operational efficiencies, the Group attained a higher gross profit margin of 19.7% in FY2019 compared to 17.8% in FY2018. The expansion in gross profit margin lifted the Group's gross profit by 8.4% to S$38.2 million in FY2019 even though revenue remained fairly constant year-on-year. This helped to increase the Group's PATMI in FY2019.

Excluding the one-time expenses, the Group would have realised an even higher gross profit margin of 21.9%, while PATMI would have soared 54.0% to S$18.3 million in FY2019.

Said Mr Elson Hew, Chief Executive Officer of Fu Yu, "The Group's efforts in sales development and diversification, and actions taken to optimise our operations are yielding results. This is underlined by the growth in the Group's bottom line in FY2019 despite the challenges brought about by uncertainties in the macro-environment and the financial impact from the closure of Fu Yu Shanghai.

To share this set of improved results with our stockholders, the Group has proposed a final dividend of 1.0 cent per share. Together with interim dividends, the total dividend in FY2019 would be 1.6 cents per share."

During FY2019, the Group rolled out several corporate initiatives in a bid to optimise its organisation structure and strengthen its operations for long term sustainability and profitability.

After commencing members' voluntary liquidation process of a 40%-owned loss-making joint venture in Malaysia, the Group made a strategic decision to consolidate its operations in Shanghai and Suzhou, China. As the Group will be serving its customers in Shanghai from its factory in Suzhou, majority of the production equipment has been transferred to Suzhou factory from Fu Yu Shanghai which ceased manufacturing operations at the end of November 2019. The Group believes this exercise will rationalise the cost structure of its China operations and enable it to benefit from better utilisation of production resources and lower fixed overheads.

In Singapore, the Group has begun the redevelopment of its premises at 9 Tuas Drive ("Plot 9") ("redevelopment project") to expand and strengthen its manufacturing operations here. The original building at Plot 9 has been demolished and will be replaced by a new building with an estimated gross floor area that is over three times larger. The building will house office space, warehouse and a factory with new and advanced manufacturing equipment to expand production capacity and enhance capabilities for the production of higher precision and better quality products. Coupled with an improved building layout, the Group expects to benefit from higher productivity and operational efficiencies. The estimated capital expenditure for this redevelopment project which is targeted for completion in the fourth quarter of 2020, is expected to be around S$15.4 million. This cost will be partly defrayed by the assignment of the Group's premises at 5 Tuas Drive in Singapore.

Said Mr Hew, “This year, we will work on reorganising and improving our operations at our Suzhou factory to effectively manage our customers and projects in Shanghai and Suzhou, and extract benefits from the consolidation of our business in Eastern China. We believe this consolidation will help to gradually raise capacity utilisation of our factory in Suzhou, and achieve our goal to streamline and optimise our operations across China.

Singapore is a strategic and important manufacturing base for the Group. Our Singapore operations has the requisite capabilities and know-how to produce higher precision and higher quality plastic and metal injection molded products, and also offers excellent intellectual property protection. These are attributes valued by customers and we intend to elevate our manufacturing competencies via the redevelopment project to deliver greater customer value.”

On the business development front, the Group continues to work on expanding its market share with customers and is encouraged by the progress it has gained over the past year with certain accounts. This has helped to cushion the Group against weakness in product segments that faced slower end-user demand. The Group intends to maintain its diversified exposure to various market segments for greater resilience, with a focus on products with longer life cycles and high growth potential. It will also continue to work on productivity improvements through lean management and automation.

Looking ahead, the operating landscape is expected to remain challenging due to heightened business and political uncertainties that could adversely affect the global economy. In addition, the COVID-19 outbreak in China could cause greater uncertainty to the economic outlook. Given the uncertainty surrounding the severity and timeframe of the virus outbreak, it may be difficult at this point to determine its effect on the global markets and the Group. The Group’s financial performance is also influenced by other factors such as industry competition, pressure on selling prices and movements in the US Dollar.

Backed by its established operations and reputation in Asia, as well as a sound balance sheet, the Group believes Fu Yu is well positioned to withstand any difficult business periods and capitalise on future business opportunities. At the end of 31 December 2019, the Group had cash holdings of S$88.5 million and zero borrowings. Shareholders’ equity stood at S$163.6 million, equivalent to net asset value of 21.73 cents per share which includes cash and cash equivalents of around 11.75 cents per share.

This news release is to be read in conjunction with the Group’s announcement posted on the SGX website on 24 February 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/