



FU YU CORPORATION LIMITED

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

BUSINESS UPDATE FOR 1Q23

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 31 March 2023 (“**1Q23**”).

1Q23 BUSINESS OVERVIEW

The business environment in 1Q23 remained challenging amid ongoing uncertainties in the global economy. Nonetheless, the Group is continuing with its transformation strategy to position Fu Yu for new market opportunities and enhance its growth profile for the long term.

During 1Q23, the Group’s manufacturing business saw a contraction in customer orders amid slower end-user demand. In particular, the medical segment which accounted for the largest revenue share of manufacturing business last year, registered a decline in sales during 1Q23. This was attributed to a normalisation in demand for certain medical products to “pre-pandemic” levels, as the COVID-19 situation transitions to a potentially endemic phase. While the supply chain management services business also experienced lower revenue in 1Q23, it achieved break-even at the bottom line.

REVENUE

In 1Q23, Group revenue declined 58.0% to S\$36.0 million from S\$85.6 million in 1Q22 due to lower sales generated from the manufacturing business and supply chain management services division. Revenue from the manufacturing business decreased to S\$26.3 million in 1Q23 from S\$36.3 million in 1Q22, while sales from the supply chain management services business decreased to S\$9.7 million in 1Q23 from S\$49.3 million in 1Q22.

Manufacturing business

The manufacturing business which accounts for 73.1% of the Group’s total revenue, recorded lower sales across its Singapore, Malaysia and China segments during 1Q23. As a percentage of total sales from the manufacturing business, the Singapore segment’s contribution was 37.3% in 1Q23 (1Q22: 35.2%). Malaysia segment’s revenue contribution was 22.1% (1Q22: 27.5%) while the China operations accounted for 40.6% of the manufacturing business’ revenue in 1Q23 (1Q22: 37.3%).

Supply chain management services

The supply chain management services business derives revenue primarily from physical commodities trading activities. As the Group undertakes an opportunistic approach to manage risk exposure for this business, revenue fluctuates across the financial periods. For 1Q23, the supply chain management services business recorded revenue of S\$9.7 million and made up 26.9% of the Group’s total revenue (1Q22: 57.6%).

PROFITABILITY

The Group's gross profit contracted to S\$3.6 million in 1Q23 from S\$11.4 million in 1Q22.

Gross profit from the manufacturing business declined to S\$3.5 million in 1Q23 as compared to S\$9.0 million in 1Q22, translating into a gross profit margin of 13.3% versus 24.8% previously. Lower sales of the manufacturing business led to under-absorption of fixed costs, which in turn affected the gross profit margin of this business in 1Q23..

Gross profit from the supply chain management services business decreased to S\$0.1 million in 1Q23 from S\$2.4 million in 1Q22 in line with the decrease in sales. Gross profit margin stood at 1.0% in 1Q23 compared to 4.8% in 1Q22 due to a change in sales mix.

As a result of the above, the Group posted a net loss of S\$2.4 million in 1Q23 as compared to net profit of S\$6.0 million in 1Q22.

As at 31 March 2023, the Group had net cash of S\$63.2 million. Shareholders' equity stood at S\$148.1 million, equivalent to net asset value of 19.7 cents per share (based on the total number of issued shares of approximately 753.0 million shares) which included net cash of around 8.4 cents per share.

CORPORATE UPDATE - TRANSFORMATION PLAN TAKING SHAPE

The management believes Fu Yu's sound financial position places the Group in good stead to weather difficult business periods and continue executing initiatives to drive its transformation.

To rejuvenate Fu Yu's business and elevate its profile as an advanced solutions provider in the high precision plastics manufacturing industry, the management has set in motion a five-year transformation plan to refine the quality of customer base and build new growth impetus for long term sustainability.

The Group has already begun and is continuing to refresh its talent pool with new hires at senior and mid-management levels. Plans for investments to upgrade production equipment and software are also being executed in parallel to uplift the Group's core competencies and competitive advantage to realise its strategic pursuits in gaining new customers and market share.

The Group has identified the medical space as a key industry focus and strategic long-term area of growth. Notwithstanding that the industry is undergoing some normalisation post-COVID, the medical technology (MedTech) and biotechnology (BioTech) sectors are still widely seen as drivers of global growth.

The management is positive on the long-term prospects of the MedTech and BioTech sectors and believes that the expansion of the Group's foothold in these businesses will help to bolster its future growth platform. As such, Fu Yu Biomedical was established earlier this year to extend the Group's reach in the medical sector and pave entry into the production of higher precision biomedical devices, life sciences products and consumables that require more stringent tolerances and a higher degree of automation.

The team at Fu Yu Biomedical is actively engaging potential customers. Their business development efforts are being supported by state-of-the-art facilities of the Group's new smart factory in Singapore, which is expected to be launched in the third quarter of 2023. Boasting Industry 4.0 capabilities, the smart factory will showcase a high level of automation and high precision engineering manufacturing capabilities, which are instrumental in the manufacture of more advanced medical devices and biomedical products. The Group has also implemented a cloud-based Manufacturing Execution System ("MES") to track real-time operational data and provide data analytics capabilities. With the MES, the Group will also be able to track and improve the overall quality of its products.

To build an additional growth driver, the Group is also refocusing on its high precision export tooling business and has invested in new technologies such as additive manufacturing and high-precision milling to boost core capabilities.

The management believes these transformation initiatives will revitalise Fu Yu's business and enable the Group to realise its vision to be the best in manufacturing through unrelenting commitment to quality, operational excellence and continuous improvement.

In the short-term, existing business conditions are expected to remain slow and uncertain, until the benefits of the transformation plan with new biomedical business come to fruition. To mitigate this short-term impact, the Group is continuing to seek opportunities with key existing and new customers to raise capacity utilisation while working to maintain an optimal operating cost structure.

By Order of the Board

Janet Tan
Company Secretary
Singapore, 12 May 2023

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, automotive and power tool sectors.

To broaden its revenue base beyond the core manufacturing business, the Group formed a new business arm in July 2021 under Fu Yu Supply Chain Solutions Pte Ltd which is engaged in the business of providing supply chain management services for commodity raw materials.

For further information on Fu Yu, please visit the Group's website at: <http://www.fuyucorp.com/>

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