



FU YU CORPORATION LIMITED

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

ANNUAL GENERAL MEETING TO BE HELD ON 26 APRIL 2022 – 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, 26 April 2022 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. What type of commodity raw materials is Fu Yu Supply Chain Solutions Pte Ltd (“FYSCS”) dealing with? Oil? Rubber? Coal? Please elaborate. What is the competitive advantage of FYSCS versus its peers? Does FYSCS provide synergies with the company's existing business? What kind of synergies, if any, would the company benefit from?**

To broaden the Group’s revenue base beyond the core manufacturing business, FYSCS (formerly known as Avantgarde Enterprise Pte Ltd) was acquired in July 2021 to enter the business of supply chain management services for commodity raw materials. Besides generating additional revenue streams, FYSCS is envisaged to reap potential cost savings for the Group, particularly in the procurement and logistics management of resins which is a key raw material for the Group’s manufacturing business. FYSCS is backed by a team of experienced personnel who have strong track record in the commodities business including oil and oil-derivative products.

- Q2. Is FYSCS impacted positively or negatively by the current supply chain disruptions seen worldwide? Why? Please elaborate.**

Thus far, the supply chain disruptions have not had a negative impact on FYSCS which reported a maiden profit of S\$1.1 million in the financial year ended 31 December 2021 (“FY2021”).

- Q3. I read in the news that China is sticking to a zero COVID policy. Would this positively or negatively impact our business in China? I note that COVID situation has worsened quite significantly in China of late. How is the COVID situation affecting our operations in China? Would there be shortage of workers and delay in schedule due to employees of FU YU contracting COVID? How is the company dealing with the shortage of manpower issues brought about by COVID? What level of capacity are our factories currently operating at?**

Our China operations are located in Suzhou, Dongguan and Zhuhai. At present, our factories in China remain in operation, even though our factory in Suzhou is facing some manpower constraints due to mobility restrictions in line with the government’s directives that are preventing employees in certain districts from travelling to work. With its experience gained from previous similar situations and well-established procedures, the Group was able to respond swiftly to

manage this current situation of manpower shortage by adjusting the production schedules of its Suzhou plant to fulfil customers' orders. Consequent to the lockdown measures implemented in Shanghai, the Group was unable to make deliveries to customers in this area. On a broader scale, the COVID-19 situation in China has also led to delays in shipment of raw materials due to port closures. This could in turn result in a deferment in order deliveries to customers.

As the state of COVID-19 virus and corresponding regulatory measures in China remain fluid, the Group will continue to keep a close watch on any further developments and ensure compliance with government directives.

The Group currently has sufficient manufacturing capacity at its factories to meet the needs of customers. Nevertheless, the Group is cognisant that manpower constraints have become increasingly challenging for many businesses globally. Over the years, the Group has progressively introduced higher levels of automation into our China, Singapore and Malaysia operations in a bid to mitigate potential issues on labour supply.

Q4. There has been a rise in the prices of many commodities, including but not limited to oil, coal, tin. How is the company managing its costs of materials, given the crazy rise in the prices of the raw materials needed to run our business?

In general, the Group's manufacturing business is able to pass on increases in the cost of key raw materials to its customers.

DIVIDEND

Q5. The company is paying out 211.5% of its net profit. Is this payout ratio sustainable? Does the company intend to pay out more than 100% of its profits going forward? Does the company have sufficient retained earnings for the management to continue to do so?

The Group's total dividends of 4.95 cents per share for FY2021 included a special dividend of 3.3 cents on top of an interim dividend of 0.4 cents and a final dividend of 1.25 cents. 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.

AUDIT FEES

Q6. Please explain the sizable increase in audit fees - the fees paid to our auditors more than doubled this year compared to the previous year. Why was there such a sizable increase in audit fees?

The increase in audit fees was due mainly to two factors. Firstly, there was an expansion in the scope of audit following the acquisition of FYSCS ("formerly known as Avantgarde Enterprise Pte Ltd"). Specifically, more audit focus and time was required for FYSCS as it involved an impairment review and also because the Group has entered into a new line of business in commodities supply chain management. Moreover, the cost of performing audits in Singapore and China has also increased as a result of a resource crunch in the industry, higher regulatory scrutiny on audits, as well as the evolving and more complex accounting and auditing standards.

By Order of the Board
Kong Wei Fung
Company Secretary
Singapore, 20 April 2022

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 commodities.

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

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