Securities Investors Association (Singapore)
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Email: admin@sias.org.sg www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y

Issuer: Fu Yu Corporation Limited

Stock code: F13

Meeting details:
Date: 24 June 2020
Time: 3.00 p.m.

Due to the current COVID-19 pandemic, SIAS encourage shareholders to participate at AGMs via other means and not to attend any AGM physically. Where the AGM is webcast, they can stay on top of their investments by watching the webcast and submitting their question to the company in advance. Senior citizens should avoid attending AGMs altogether and stay home.

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Q1. Revenue for the year ended 31 December 2019 was fairly stable, coming in at $194.1 million, compared to $197.7 million a year ago. Net profit attributable to owners of the company increased by 6.8% to $12.7 million from $11.9 million in FY2018.

As noted in the chairman's message, the group's strategy is to maintain its diversified exposure to various market segments for greater resilience. The primary focus will be on products that have longer life cycles and exhibit higher growth potential such as medical, automotive, eco-friendly, smart home consumer products and 3D printers.

As disclosed, 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.

(i) **Can management help shareholders understand the revenue breakdown according to sectors (such as printing and imaging, networking and communications, consumer, medical and automotive sectors)?**

(ii) **With manufacturing facilities located in Singapore, Malaysia and China, how feasible is it for the group to shift its production around due to trade wars/tariffs or as part of its business continuity plan (for example, due to measures imposed by the government to stop the spread of the COVID-19)?**

(iii) The group has significant US dollar exposure with its cash and cash equivalents amounting to USD56.3 million held in USD. The group recognised foreign currency loss of $(745,000) in FY2019, reversing the $1.25 million foreign currency gain in FY2018. In 1Q2020, foreign exchange gain amounted to $3.2 million. **What is the rationale to hold the group's excess cash in US dollars? Would the board be re-evaluating the group's foreign currency exposure?**

Q2. The group has commenced the redevelopment of 9 Tuas Drive 1 ("Plot 9") where a new building with office space, warehouse and a factory will be built. The estimated gross floor area would be over three times larger, coupled with an improved building layout for higher productivity and operational efficiencies.

The estimated capital expenditure for this redevelopment would be around $15.4 million.

As part of the lease renewal for 7 Tuas Drive 1 and 9 Tuas Drive 1, the company has to assign its premises at 5 Tuas Drive 1 by 10 September 2020.

In the company's update, it was disclosed that the completion date might stretch beyond 2020 due to the circuit breaker measures.

(i) **Would management be re-evaluating the internal layout and planned workflow for the new building to incorporate more business continuity features?**

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(ii) **Is the group's capacity affected during this redevelopment period?**

(iii) **How much of Industry 4.0/automation will be incorporated at the new manufacturing site?**

(iv) **Would the company be requesting for an extension to allow it to assign its premises at 5 Tuas Drive 1?**

Q3. As disclosed in the corporate governance report, the independence of Dr John Chen Seow Phun, Mr Tan Yew Beng and Mr Foo Say Tun were subject to particularly rigorous review on their independence by members of the board.

The independent directors were first appointed on 27 November 2007, 22 May 1995 and 27 November 2007 respectively. The directors have served on the board for more than 12 years to as long as 25 years.

(i) **Can the company clarify if it was the other members of the board, namely the four executive directors who reviewed the independence of the long tenured non-executive directors?**

(ii) While one of the duties of the nominating committee ("NC") is to conduct the review to determine the independence of each director, all three members of the NC were subject to particularly rigorous review of their own independence. **How effective was the NC at discharging its duties?**

In August 2018, the Monetary Authority of Singapore issued a revised Code of Corporate Governance ("2018 CG Code") and the Singapore Exchange has made amendments to its Listing Rules which came into effect on 1 January 2019, except for the rules on the 9-year tenure for independent directors and the requirement for independent directors to comprise one-third of the board which come into effect on 1 January 2022.

Under the revised Listing Rules, the term of an independent director will be limited to nine years after which the long tenured directors will be subject to a two-tier vote by shareholders.

(iii) **Has the company evaluated the impact of the 2018 CG Code and the amendments to the Listing Rules on the board, especially the independence of the long-tenured directors?**

(iv) **Would the board/NC elaborate further on the plans (including the pace) to refresh the membership of the board to comply with the new 2018 Code in good time?** Reconstituting the board early to comply with the new 2018 Code would avoid undue disruption and help to maintain institutional knowledge and continuity in the board.

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^Amid the global COVID-19 outbreak, issuers who choose to proceed with the AGM before 30 April 2020 must provide opportunities for shareholders to ask questions. Shareholders are encouraged to read the annual report and submit any questions they might have to the companies in advance. Issuers would then publicly address the questions at the general meeting via the issuer's website, through "live" webcast and on SGXNet.

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

Can't attend the AGM or view the webcast? Check out the latest questions on the annual reports of listed companies on SIAS website

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^ Joint Statement by Accounting and Corporate Regulatory Authority, Monetary Authority of Singapore and Singapore Exchange Regulation dated 31 Mar 2020 (https://www.sgx.com/media-centre/20200331-acra-mas-and-sgx-regco-update-guidance-general-meetings)