

NEW TOYO INTERNATIONAL HOLDINGS LTD

Company Registration No.: 199601387D

RESPONSE TO QUERIES FROM THE SECURITIES INVESTOR ASSOCIATION (SINGAPORE) ON THE ANNUAL REPORT

The Board of Directors of New Toyo International Holdings Ltd (the “Company” and together with its subsidiaries, the “Group”) refers to the queries raised by the Securities Investor Association (Singapore) (“SIAS”) in relation to the Company’s Annual Report for the Financial Year Ended 31 December 2018. The Company wishes to provide its responses to the queries below:

Q1. Would the board/management provide shareholders with better clarity on the following operational matters? Specifically:

(i) Indonesia: Has the operation at the new Indonesia production site been optimised and running smoothly? What is the projected utilisation rate in FY2019?

(ii) Dubai: For the Dubai start-up, the group recognised revenue of \$4.6 million in FY2018. **Can management elaborate further on the successes in acquiring new customers in Dubai? What is the market-entry strategy?**

(iii) Toilet paper: With the diversification to toilet paper, management recognised that it is a highly competitive segment as well. **What were the lessons gleaned by management in the past months for this business? What milestones have been achieved? What are the key priorities in 2019?**

Company’s response:

- (i) We have completed the relocation exercise at the end of December 2018/ January 2019. We have achieved optimal level of utilisation in accordance with the supply agreement. Due to competitor-sensitive information and contractual obligation, we cannot provide further information.
- (ii) Both Specialty Papers (“SP”) and Printed Cartons & Labels (“PCL”) had suffered losses as anticipated for start-ups. SP and PCL commenced operation at the end of Q1 2018.

Both the divisions are engaging new customers in the highly competitive market. For PCL division, we have to adapt to short run orders and achieve efficiency of production. Our strategy is to achieve profitability by targeting selected brands.

Our SP division has acquired several new customers. We will continue actively to pursue additional customers in this region.

- (iii) The Tissue Paper project is part of our strategy to diversify our earnings streams. The Board is aware of the heavy capital investment needed to make an acquisition, and found an opportunity to lease a top of the line paper machinery for a short period with a potential purchase prospect. This enables the Group to assess the state of the machinery, market demand and financial viability.

We commence operation in Q4 2018 facing anticipated start-up challenges. We are currently at 75% production capacity and expect to achieve 100% upon the arrival and commissioning of a new converter machine. We have achieved quality acceptance by the market.

We are learning to manage the volatility of raw material prices. We have obtained certification from the Forest Stewardship Council (FSC-certified) in Q1 2019 where we can widen our customer base for the export market.

The immediate priorities are to increase production and widen export market to reduce start-up losses. The Board intends to review prospects of this business in 2nd half of the year.

Q2. On 29 October 2018, the company announced the cessation of Mr Leslie Wong Soon Onn as chief financial officer. Mr Wong was appointed to the CFO role on 2 February 2018 and stepped down effective 31 October 2018.

Mr Kuek Tee Meng was the group's CFO from 20 February 2017 to 31 July 2017. Mr Kuek replaced Mr San Meng Chee who was the CFO from 18 May 2015 to 28 February 2017.

The current CFO, Mr Lam Chin Chong, was appointed on 1 November 2018.

In the past 4 years, the company has appointed 4 CFOs and two CFOs left their jobs within a year.

(i) Has the board, including the audit committee and the nominating committee, reviewed the circumstances that led to the short tenure of the CFOs?

(ii) How does the group search, recruit, train and retain talent it needs for the business?

Company's response:

- (i) The process of recruitment of CFO begins with HR shortlisting suitable candidates for interview with Group CEO. This is followed by confirmation interview with Chairman of the Audit Committee and Chairman of Nominating Committee.

The resignation process of the CFO includes firstly by an exit interview by the Group CEO followed by a second exit interview with the Chairman of Audit Committee.

The short tenure of recent CFOs was deliberated and discussed both at the AC and Board Meetings.

- (ii) The group search for talent through direct job advertisements, referrals and head hunting firms. We identify talents based on their capabilities and our business needs. Key competencies, experience, knowledge and personal attributes are key selection criteria. Comprehensive on-boarding programs have been carried out to engage and integrate new hires. Apart from offering competitive salary and benefits, we encourage employee to grow their skill sets and hold open communication to engage and motivate them.

Q3. The attendance of directors at board and board committee meetings is shown in the table below:

	Board	Audit Committee	Nominating Committee	Remuneration Committee
No. of meetings held	4	4	2	2
Directors	No. of meetings attended			
Yen Wen Hwa	4	n.a.	n.a.	n.a.
Angela Heng Chor Kiang	4	n.a.	2	n.a.
David Lim Teck Leong	3	4	1	1
Victoria Tay Seok Kian	3	4	2	2
Tengku Tan Sri Dr Mahaleel bin Tengku Ariff	3	3	n.a.	2

(Source: Company annual report)

As seen from the table above, all three independent directors have missed at least one board meeting and two of the independent directors have missed at least one board committee meeting.

(i) Can the company help shareholders understand if there were extenuating circumstances that led the directors to be absent for the board meetings and board committee meetings?

(ii) How far in advance are board meeting scheduled?

(iii) How can the company and the company secretary work together with the directors to schedule the board and board committee meetings so that all the directors are able to attend the meetings and contribute to the effectiveness of the board?

Company's response:

Our board meetings are always scheduled one year in advance. However, our board meetings are coordinated with our Bursa listed subsidiary Tien Wah Press Holdings Berhad ("TWPH") board meetings to enable New Toyo International Holdings Ltd Board to receive quarterly results approved by the TWPH Board.

This makes last minute scheduling more challenging and may result in certain directors not being able to attend.

The Board and Management are aware and taking steps to reduce last minute scheduling changes.

By Order of the Board
Lee Wei Hsiung
Company Secretary
2 May 2019