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: New Toyo International Holdings Ltd

Stock code: N08

Meeting details:
Date: 28 May 2021
Time: 10.00 a.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. As noted in the chairman's statement, the group's revenue decreased by 20% to $242.4 million in FY2020. This was largely due to lower contribution from the core divisions of Specialty Paper ("SP") and Printed Cartons and Labels ("PCL"), along with the cessation of the manufacturing of tissue paper in September 2019 (See question 2).

Equity attributable to shareholders has decreased from $169.7 million in FY2015 to $143.5 million in FY2020. From FY2015 to FY2020, the company has given out 1.6 cents, 1.7 cents, 1.6 cents, 1.5 cents, 0.9 cents and 1.5 cents (proposed) per share as dividends respectively.

	2020	2019	2018	2017	2016	2015
Condensed Consolidated Profit & Loss Information (S$'000)						
Revenue	**242,385**	301,102	271,321	265,835	249,158	264,144
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**29,570**	9,471	25,565	15,377	38,793	37,824
Profit before interest and tax	**10,921**	(11,905)	7,770	107	27,491	23,401
Profit before tax	**8,131**	(15,823)	5,992	(184)	27,909	23,289
Net profit/(loss) for the year	**7,514**	(18,077)	4,197	(1,299)	25,612	20,616
Attributed to :						
Owners of the Company	**7,591**	(15,231)	4,220	1,751	15,899	14,673
Non-controlling interests	**(77)**	(2,846)	(23)	(3,050)	9,713	5,943
Condensed Consolidated Balance Sheet Information (S$'000)						
Total assets	**264,966**	304,666	330,510	315,477	333,798	275,948
Cash and cash equivalents	**33,958**	34,688	42,575	48,575	68,479	78,965
Total liabilities	**80,169**	117,394	118,162	98,083	100,033	64,394
Loans and borrowings	**38,519**	71,305	67,193	49,595	49,404	27,523
Equity attributable to owners of the Company	**143,470**	144,228	164,430	168,545	178,793	169,651

(Source: company annual report 2020 (left); annual report 2017 (right))

(i) **For the benefit of new and long-standing shareholders, can management elaborate further on the long-term prospects and growth opportunities in the core segments of Specialty Paper ("SP") and Printed Cartons and Labels ("PCL")?**

(ii) **What is the group's value proposition? How is the group able to capture sustainable growth and to create long-term value for shareholders?**

(iii) **Specifically, does the group have visibility on the extension of its supply agreement in Indonesia (which will expire on 31 December 2022)?**

(iv) **What is the group's long-term return on assets/invested capital/equity? Would the board consider tracking the metric and including it in the annual report?**

(v) **What is the strategic value of the listing status of the group's 55%-owned Tien Wah Press Holdings Berhad?**

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Q2. In 2017, the group ceased its PCL operations in Australia and Malaysia and entered the Middle East with the setting up of a new operation in Dubai. The group had also ventured into the manufacturing of tissue paper via a leasing agreement to produce semi-finished tissue products for paper converters as well as provide manufacturing services for finished goods in 2018. As noted in the company's announcement dated 27 February 2018, the diversification into tissue paper production was part of the company's plans to enhance value for shareholders by broadening revenue streams to include non-tobacco products.

In FY2018 and FY2019, the new tissue paper segment lost $(1.8) million and $(11.2) million respectively. In FY2020, the segment generated $569,000 in segment results from the trading of tissue paper after the cessation of manufacturing activities in September 2019.

(i) **Can the board help shareholders understand the investment thesis when it approved the diversification into tissue paper manufacturing in 2018?** As noted above, the new operations ceased within two years in September 2019 and incurred segment losses of more than $(13.0) million in the two years. **What were the main factors for the losses in the past two years?**

(ii) **How has the group's investment framework/approach been shaped by the experience in the past 3 years?**

(iii) **Has the board evaluated its due diligence and approval process and identified potential areas of improvement in its board processes?**

(iv) **Did the interests of the major shareholder and chairman in a tissue paper mill in Vietnam have any influence on the group to enter the tissue paper business?**

In addition, the group re-assumed control over the Dubai operations as the third-party vendor had not renewed its management contract.

(v) **Can management provide shareholders with an update of the situation in Dubai, including the scale and status of the group's operations, the major customers and contracts, the utilisation rate and the key priorities for the next 12-18 months?** As can be seen on page 67, revenue from Dubai increased from $9.0 million in FY2019 to $11.3 million in FY2020.

(vi) **What is the total investment made in Dubai (before impairment)?** On page 123, it can be seen that non-current assets in Dubai peaked at $24.8 million in FY2019 and the group has recognised $5.7 million in impairment.

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On page 75 (Note 11 – Property, plant and equipment), management has used an anticipated revenue growth rate of 104% for FY2021 and 43% for FY2022 for the Dubai CGU.

(vii) **Can management help shareholders understand the basis for the 104% projected growth in revenue for the Dubai CGU?**

(viii) **Is the Dubai operation profitable?**

Q3. As noted in the corporate governance report, the company has outsourced its internal audit function to an external professional firm, Baker Tilly Consultancy (Singapore) Pte Ltd, who is a member of the Institute of Internal Auditors Singapore.

As disclosed on page 32, the audit committee (AC) is satisfied that the internal audit function is adequately resourced and that the internal auditors are independent and have the appropriate standing to perform their functions effectively.

(i) **Can the AC elaborate further on the scope of the internal audit plans in FY2020?**

(ii) **Were all the major operations, including the group's foreign operations in Hong Kong, Vietnam, Indonesia, Dubai and China, covered by the internal auditor in FY2020?**

(iii) **What were the key findings by the internal auditor?**

The company further disclosed that the company's listed subsidiary in Malaysia, Tien Wah Press Holdings Berhad ("TWPH"), has established an internal audit function and reports to TWPH's audit committee.

(iv) **Can the AC clarify if it has delegated the internal audit of TWPH to the audit committee of TWPH? What is the level of oversight by the company's AC on the internal audit of TWPH?**

^On 1 October 2020, the Accounting and Corporate Regulatory Authority ("ACRA"), the Monetary Authority of Singapore ("MAS") and Singapore Exchange Regulation ("SGX RegCo") published an updated checklist to guide listed entities on the conduct of general meetings arising from the latest updates from the Multi-Ministry Taskforce.

^ Guidance on the Conduct of General Meetings Amid Evolving COVID-19 Situation (https://www.sgx.com/media-centre/20201001-guidance-conduct-general-meetings-amid-evolving-covid-19-situation)

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Issuers may continue to conduct their general meetings held on or before 30 June 2021 via electronic means, and are encouraged to do so.

Issuers who, after due consideration of public health and other risks, wish to provide for physical attendance at their general meetings must ensure that they implement all relevant measures to comply with the safe management measures imposed by the Singapore Government.

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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