

**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 2020. The Company wishes to provide its responses to the queries below:

- 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 (\$'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 (\$'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?

Company’s response:

Following our consolidation of print operations in 2017 and 2018, we now have two lower-cost based production centers in ASEAN’s fast growing economies to support the ever changing needs of our customers. The Group will continue to focus on the core business through expansion of volumes to current customers as well as new regions like Middle East, Latin America and Indonesia. We will continue to pursue additional customers in these new markets. We will also focus on optimizing our entire value chain to achieve not only cost, but production efficiencies so as to continue our lead as a key strategic supplier with our diverse capabilities to serve our customers’ needs.

The Group’s strategic plans of increasing shareholder value include but not limited to top line growth, improved operating efficiency, continued cost containment measures and improved asset utilization, so as to ultimately improve earnings and return on equity.

The return on equity is (10.6%) and 5.3% for the financial year ended 31 December 2019 and 2020 respectively. The Board will review the metrics to be included for future annual report.

Due to its confidential nature and commercial sensitivity, we are unable comment on the extension of its supply agreement in Indonesia and the listing status of Tien Wah Press Holdings Berhad, which is listed on the main market of Bursa Malaysia.

- 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.

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?

Company's response:

The announcement on 27 February 2018 had outlined the rationale for the diversification into tissue paper manufacturing, whilst the announcement on 2 September 2019 summarized the exit from the production of tissue paper.

To reiterate, the diversification into tissue paper manufacturing was to broaden the Group's product portfolio outside of tobacco packaging, and through further capital expenditure, the Assets (as defined in the 27 February 2018 announcement) are potentially complementary with the specialty paper business division of the Group. The production of tissue paper was ceased pursuant to a group strategic review amid global trade tensions. The Board does not expect the performance of Senyang to improve significantly in the near future and the Board believes that the non-renewal of the lease for the tissue paper mill is in the best interest of the Company.

The Group continues to take a prudent and disciplined approach in its investment strategy, giving careful thought of customers' demand and keeping in close proximity

where our customers' footprints are moving. When considering new investments, the Group will consider how it fits into our strategy, taking into account potential operational synergies and shareholder value enhancement. Detailed study including SWOT analysis and due diligence will be carried out for any proposed investment.

Please refer to Q&A in AGM presentation for an update of the Dubai operations. Due to commercial sensitivity, the Group is unable to disclose the details of customers & contracts amongst others for our Dubai operations.

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?**

Company's response:

In FY2020, the internal audit was conducted for the manufacturing unit in Singapore. The scope of the internal audit covered the following amongst others:

- a) General control environment
- b) General accounting process
- c) Revenue, receivables & collections
- d) Procurement, payables and payments
- e) Inventory management
- f) Bank and Cash management
- g) Human resource and payroll
- h) Interested Party and Related Party Transactions review

The internal auditors have made recommendations on certain improvements points and these have been implemented.

Internal audit, including but not limited to the scope as mentioned above, is performed for each manufacturing operation in the Group on a rotational basis. The Group's

foreign operations which are held by TWPH are not included and the internal audit for the TWPH Group is performed independently of the Company.

TWPH is listed on the main market of Bursa Malaysia and it has its own Audit and Risk Committee (“ARC”) who is responsible to review and monitor the effectiveness of the system of internal controls and risk management and reports its assessment to TWPH Board. TWPH Board is of the view that the internal control and risk managements system were operating adequately and effectively as at 31 December 2020. The Company has representations on TWPH Board, through Mr Yen Wen Hwa, Executive Chairman and Ms Angela Heng, Group Chief Executive Officer.

By Order of the Board
Lee Wei Hsiung
Company Secretary
1 June 2021