

ENTRY INTO LEASING ARRANGEMENT AND ENTRY INTO BUSINESS

Lease Agreement

The Board of Directors (the “**Board**”) of New Toyo International Holdings Ltd (the “**Company**”) wishes to announce that the Sen Yang Enterprise Co., Ltd, a subsidiary of the Company, had entered into a leasing arrangement with Xiamen Sinyang Paper Co., Ltd (“**Xiamen Sinyang**”), a company located in Xiamen, People’s Republic of China (the “**Lease Agreement**”) for the lease of the land, as well as the property, plant and equipment for the production of tissue paper (including the tissue paper mill) of Xiamen Sinyang (the “**Assets**”). The major shareholder of Xiamen Sinyang is ITG Zhongshun Group Co. Ltd (“**ITG**”), a wholly owned subsidiary of Xiamen ITG Holding Group Co., Ltd.,

Pursuant to the Lease Agreement, the Company’s subsidiary, Sen Yang Enterprise Co., Ltd shall lease the Assets for a total period of two (2) years, with the leasing arrangement to commence upon the successful refurbishment of the Assets. If Sen Yang Enterprise Co., Ltd does not write to ITG before the end of the first year, the lease shall automatically be extended by one more year from the end of the first year. The Lease Agreement further provides that during the second year of the lease, Sen Yang Enterprise Co., Ltd may request that Xiamen Sinyang put the Assets up for sale, and Sen Yang Enterprise Co., Ltd shall have a right of first refusal for the purchase of the Assets.

The Lease Agreement is part of the Company’s plans to enhance value for shareholders by broadening revenue streams to include non-tobacco products, such as tissue paper. The lease of the Assets would allow the Company to enter into the business of producing semi-finished goods for paper converters, providing manufacturing services for finished goods and producing finished goods for the converting businesses. The Assets will be able to produce jumbo rolls for sale to converting companies, finished goods for the personal care industry, as well as provide OEM or manufacturing services for converters to produce finished goods.

The nature of the Company’s core business will remain the same, i.e. the provision of specialty packaging materials such as laminated aluminium foil paper, coated paper and metallised paper and metallised polyethylene terephthalate to be applied or used in various industries. Through further capital expenditure, the Assets are potentially complementary with the specialty paper business division of the Group. As such, the Lease Agreement will not result in a material change in the Group’s risk profile and will not affect the nature of its main business.

Undertaking by Mr Yen Wen Hwa

The Board also wishes to inform Shareholders that the major Shareholder and Chairman of the Group, Mr. Yen Wen Hwa, is interested in a tissue paper mill in Vietnam through his interest in New Toyo Pulppy Vietnam Co., Ltd. (“**Pulppy**”), which represents a competing business with the products to be manufactured by the Assets. Pulppy is wholly owned by Mr. Yen Wen Hwa, who is a controlling shareholder of the Company having a direct and deemed interest in a total of 227,869,681 ordinary shares, representing 51.86% of the issued share capital of the Company.

In this connection, the Company has obtained certain warranties and undertakings from Mr. Yen Wen Hwa, including:

- (a) For as long Mr. Yen Wen Hwa or his affiliate holds directly or indirectly a controlling interest in Pulppy, he shall offer the Company, its subsidiaries and Xiamen Sinyang the right of first refusal to invest and/or participate in and/or commercially exploit any business opportunities which are related or similar to any part of the business, trade or activity of Xiamen Sinyang, in place of and to the exclusion of himself, his affiliates and Pulppy;
- (b) If Mr. Yen Wen Hwa is desirous of selling, transferring or disposing all or any part of my shares in Pulppy or any interest therein (“**Pulppy Sale Shares**”) or if Pulppy is desirous of selling, transferring or disposing all or any part of the assets or business of Pulppy (“**Pulppy Sale**”

Assets”), Mr. Yen Wen Hwa shall offer to sell the Pulppy Sale Shares or Pulppy Sale Assets to the Company, its subsidiaries and/or Xiamen Sinyang;

- (c) For as long as Mr. Yen Wen Hwa is a director of the Company, or holds directly or indirectly a controlling interest of the Company, he and his affiliates shall not, in the restricted jurisdictions: (i) carry on, or be engaged, concerned or interested (directly or indirectly) in or manage, assist or advise on any business or activity that is related (directly or indirectly) to the restricted business, and (ii) either on its own account or in conjunction with or on behalf of any person, firm or company, solicit or entice away or attempt to solicit or entice away from the Company, its subsidiaries or Xiamen Sinyang any person who is or was an officer, director, manager, senior employee, or customer of the Company, its subsidiaries or Xiamen Sinyang; and
- (d) Mr. Yen Wen Hwa will keep confidential any information of the Company, its subsidiaries and Xiamen Sinyang relating to the tissue paper mill business of Xiamen Sinyang acquired in the course of his directorship in the Company and shall not use any such information or disclose or make known any such information obtained to any third party.

By Order of the Board

Lee Wei Hsiung
Company Secretary
27 February 2018