

NEW TOYO INTERNATIONAL HOLDINGS LTD

Company Registration No.: 199601387D

CESSATION OF PRODUCTION AT SEN YANG ENTERPRISE CO., LTD

The Board of Directors (“**Board**”) of New Toyo International Holdings Ltd (the “**Company**”) and together with its subsidiaries, the “**Group**”) wishes to announce that its subsidiary, Sen Yang Enterprise Co., Ltd (“**Senyang**”), will cease production of tissue paper by 15 September 2019 (“**Proposed Cessation**”). Senyang would however continue with the trading of tissue paper products.

Senyang leased a tissue paper mill in Xiamen, The People’s Republic of China and the operation has been incurring losses. 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. The Board believes that the non-renewal of the lease for the tissue paper mill and cessation of the production of tissue paper is in the best interest of the Company.

An executive summary of the operation of the tissue paper mill is enclosed for information.

Financial Effects

The net loss attributable to the tissue paper business for the financial year ended 31 December 2018 was S\$1,850,000.

Based on the Company’s preliminary assessment, the tissue paper business is expected to report a net loss of approximately S\$11,400,000 for the full financial year ending 31 December 2019.

The financial effects on the New Toyo Group arising from the Proposed Cessation based on the unaudited financial results for the period ended 30 June 2019, assuming the Proposed Cessation is completed as at 30 June 2019, are as follows:

	Before Proposed Cessation	After Proposed Cessation
Net asset value per share (cents)	35.53	33.93
Earnings per share (cents)	(0.81)	(2.41)

Interests of Directors and Controlling Shareholders

None of the directors or controlling shareholders of the Company have any interest, direct or indirect (other than through their shareholdings in the Company), in the Proposed Cessation.

By Order of the Board

Lee Wei Hsiung
Company Secretary
2 September 2019

Executive Summary

As per the Company's announcement on 27 February 2018, Sen Yang Enterprise Co., Ltd, a wholly owned subsidiary of the Group, entered into a lease agreement for a tissue paper mill plant for a period of 12 months with the option to extend for a further 12 months, with the intention to make an offer to purchase the plant should the prospects be validated.

The entry into the lease was carried out after taking into account the opportunities and risks of diversifying into a new business. The structure of the deal allowed the Group a reasonable period of time to validate the suitability and efficiency of the tissue paper mill equipment and the ability of the Group to manage market and operational risks.

Since entering into the lease, the Group faced several adverse factors, including fluctuating pulp prices against intense domestic competition of tissue paper caused by the US imposed tariff on Chinese tissue exporters to the US. In addition, it took longer than expected time to obtain full production capacity, as well as the time to secure the Forestry Stewardship Certification needed for export sales.

These factors, combined with the full market rate of the lease resulted in a larger than expected start up loss for this new business and prompted the Board to carry out a strategic review.

The review took into account the adverse factors beyond the control of the Group and took a decision not to renew the lease unless the lease rates could be reduced significantly to offset the intense competition caused by the US tariffs. As we could not secure a lease reduction, the Company did not exercise the renewal option.

With the expiry of the lease, the Group will no longer be exposed to further losses from the operation of the tissue mill.