

NEW TOYO INTERNATIONAL HOLDINGS LTD

Company Registration No.: 199601387D

PROPOSED ACQUISITION OF ANZPAC SERVICES (AUSTRALIA) PTY LTD

1. INTRODUCTION

The Board of Directors of New Toyo International Holdings Ltd (the “**Company**”) hereby announces that the Company together with its subsidiary, Tien Wah Press Holdings Berhad (“**TWPH**”), has on 1 July 2008, entered into a sale and purchase agreement with British American Tobacco Australia (“**BATA**”) for the proposed acquisition of the entire equity interest of Anzpac Services (Australia) Pty Ltd (“**Anzpac**”) for a cash consideration of Sixty Million Australian Dollars (AUD60 million) (“**SPA**”) (the “**Proposed Acquisition**”) which comes with a right to a seven (7) year supply agreement with BATA to supply 100% of BATA’s printed carton requirements in the Australia, New Zealand, Fiji, Papua New Guinea, the Solomon Islands and Samoa markets (collectively known as “Australasia”) a the right of refusal to supply for an additional three (3) years (“**SA-BATA**”) and 100% of the printed cartons requirements to British American Tobacco in Malaysia, Singapore and Vietnam for seven years with a right of refusal to supply for an additional three (3) years (“**SA-BAT**”).

It is the intention of the Company and TWPH to set up a joint venture company to be incorporated in Hong Kong (“**JVCO**”) to undertake the entire equity interest in Anzpac. TWPH and the Company shall hold 51% and 49% equity interest respectively in JVCO and the SA-BATA and SA-BAT shall also be assigned to the JVCO prior to the completion of the Proposed Acquisition. The details of the joint venture with TWPH will be announced at a later date upon the execution of the joint venture agreement.

2. RATIONALE FOR THE PROPOSED ACQUISITION

The Proposed Acquisition would enable the Group to secure a significant portion of the cigarette printed carton market in the Asia Pacific Region as there are accompanying Supply Agreements for the exclusive supply of 100% of BAT’s printed carton requirements for Australasia, Malaysia, Singapore and Vietnam for seven (7) years with a right of refusal to supply for an additional three (3) years. The volumes under these Supply Agreements will significantly increase the printer carton volumes of the Group and also secure the business for the long term. This is in line with the Group’s strategy to expand its printing and packaging business regionally and establish a position as a leading print packaging group in the region. To add to this, the Proposed Acquisition will further consolidate the relationship with a key customer, and is expected to be earnings accretive, thereby enhancing shareholders’ value in the long term.

3. DETAILS OF THE PROPOSED ACQUISITION

3.1 Background Information on the Proposed Acquisition

The Company and TWPH, through the JVCO, are proposing to acquire the entire equity interest in Anzpac comprising 40,280 ordinary shares (“**Sale Shares**”) for a total cash consideration of AUD60 million (equivalent to SGD78.5 million based on the exchange rate of AUD1:SGD1.309 as at 1 July 2008) (“**Purchase Consideration**”). The Purchase Consideration is subject to adjustment as set out in section 3.5(d) below.

3.2 Background Information on Anzpac

Anzpac is a wholly-owned subsidiary of BATA and is located in a single site comprising offices, production facilities and warehouse in Smithfield, New South Wales, Australia.

The principal activities of Anzpac is the supply of printed tobacco cartons to BATA and British American Tobacco’s regional companies’ and general folding cartons to fast moving consumable goods (“**FMCG**”) companies in fast food, breakfast cereals and confectionary markets.

Anzpac is the sole supplier of printed cartons to British American Tobacco companies in Australia, New Zealand, the Pacific Islands of Papua New Guinea, Fiji, Samoa and Solomon Islands.

Based on the unaudited financial statements of Anzpac for the financial year ended (“**FYE**”) 31 December 2007, the profit after tax (“**PAT**”) and net assets of Anzpac are approximately AUD5.1 million and AUD33.2 million respectively (approximately SGD42.0 million and SGD6.5 million respectively based on the exchange rate of AUD1:SGD1.266 as at 31 December 2007).

3.3 Background Information on BATA

BATA is a Group of companies which employs approximately 2,300 employees, in Australia, New Zealand and the rest of the Australasian region.

The principal operation of BATA is the production and marketing of a wide range of tobacco products including cigarette brands such as Winfield, Dunhill and Benson & Hedges. BATA has factories in Australia, Papua New Guinea, Fiji, the Solomon Islands and Western Samoa.

The volume of cigarettes produced annually is 18,000 million. BATA is the market leader in the Australasian regions with an approximate market share of 45% in Australia and 75% in New Zealand.

3.4 Background Information on TWPH

TWPH is a public listed company whose shares are listed and quoted on the Bursa Malaysia Securities Berhad. TWPH provides printing services to tobacco packaging and general packaging companies. The Company holds an aggregate 53.88% equity stake in TWPH.

3.5 Salient Terms of the SPA

The salient terms of the SPA are as follows:-

(a) Rights of the Sale Shares

The Sale Shares will be transferred to the Company and TWPH (collectively referred to as the “**Purchaser**”) with all rights, including dividend rights, attached or accruing to them on and from completion of the sale and purchase of the Sale Shares (“**Completion**”). Subject to the payment of the relevant stamp duties on the instrument of transfer by the Purchaser, the parties acknowledge that the Purchaser shall be entitled to be registered in the company secretarial books of Anzpac as the holder of the Sale Shares with effect from Completion.

(b) Payments

- (i) The Purchaser is to provide BATA with an irrevocable unconditional letter of credit issued by a reputable bank for the benefit of BATA for the amount of AUD\$6 million (“**Letter of Credit**”). The parties agree that the Letter of Credit when successfully drawn upon shall be treated as a deposit towards the Purchase Consideration for the Sale Shares. Drawdown shall occur when a condition precedent to the SPA is not satisfied or is reasonably determined by BATA to be unlikely to be satisfied. Drawdown is also permissible where all the conditions precedent (as set out in section 3.5(c) below) are satisfied but Completion does not occur save where such failure to complete is a direct result of a material breach of the SPA by BATA. Where the Letter of Credit is not drawn on and Completion occurs, the full amount of the Purchase Consideration is to be paid by the Purchaser to BATA on Completion.
- (ii) The price payable by the Purchaser to BATA for the Sale Shares will be the Purchase Consideration (“**Completion Payment**”) plus or minus the Completion Statement Adjustment Amount (as defined in section 3.5(d) below).

(c) Conditions Precedent

Completion is conditional upon the approvals below being obtained by the Purchaser or waived within 140 days after the date of the SPA or such other date as the parties may agree in writing:-

- (a) the shareholders of TWPH at an extraordinary general meeting (“**EGM**”) to be convened for the Proposed Acquisition;
- (b) the shareholders of the Company at an EGM to be convened for the Proposed Acquisition; and
- (c) any other relevant authorities and/or persons, if required.

(d) Completion Statement Adjustment Amount

BATA will prepare a Completion statement as at the Completion Date (as defined in section 3.5(e) below) in accordance with the applicable accounting standards under the Corporations Act and to the extent not inconsistent with the applicable accounting standards under the Corporations Act, generally accepted accounting principles and practices in Australia (“**Completion Statement**”) within twenty (20) business days after the Completion Date. As soon as practicable after the Completion Statement has been prepared, it must be delivered to the auditors stated in the SPA.

The amount derived from the Completion Statement amount (being the aggregate amounts of line items of Anzpac in the Completion Statement) less AUD5.2 million (being the aggregate amounts of line items of Anzpac as at 31 December 2007 as set out in the SPA) which will be reduced by the amount contributed by the cylinder business (“**Completion Statement Adjustment Amount**”) will be adjusted. If the completion Statement Adjustment Amount is:-

- (i) positive, then the Purchaser must pay to BATA in bank cheque or telegraphic transfer of cleared funds to an account nominated by the payee (without counter claim or set off) the Completion Statement Adjustment Amount; and
- (ii) negative, BATA must pay to the Purchase in bank cheque or telegraphic transfer of cleared funds to an account nominated by the payee (without counter claim or set off) the Completion Statement Adjustment Amount.

(e) Completion

Provided that the SPA has not been terminated from non-satisfaction of conditions precedent set out in section 3.5(c), Completion will take place on the first business day that is seven (7) days after the satisfaction or waiver of the conditions precedent (“**Completion Date**”).

3.6 Basis of Determining the Purchase Consideration

The Purchase Consideration for the Proposed Acquisition was arrived at on a “willing-buyer willing-seller” basis after taking into consideration the following:-

- (i) the adjusted net assets of Anzpac as at 31 December 2007 of AUD51.1 million (approximately SGD64.7 million based on the exchange rate of AUD1 = SGD1.266) after taking into consideration:-
 - (a) unaudited net assets of the Anzpac as at 31 December 2007 of AUD33.2 million (approximately SGD42.0 million based on the exchange rate of AUD1 = SGD1.266);
 - (b) the revaluation surplus of the land and building of Anzpac of approximately AUD8.1 million (approximately SGD10.3 million based on the exchange rate of AUD1 = SGD1.266) based on unaudited financial statements as at FYE 31 December 2007; and
 - (c) the proposed capitalisation of inter-company balance of AUD9.8 million (approximately SGD12.4 million based on the exchange rate of AUD1 = SGD1.266) based on unaudited financial statements as at FYE 31 December 2007 which will be adjusted to the balance as at Completion Date;
- (ii) the internal valuation by the management of the Company and TWPH on Anzpac after taking into consideration the contemplated restructuring of Anzpac and the impact of SA-BATA and SA-BAT profit contribution for the seven (7) plus three (3) years, using the discounted cashflow methodology; and
- (iii) the independent valuation of AUD60.95 million to AUD63.55 million by an independent valuer on the entire equity interest of Anzpac with SA-BATA and SA-BAT future contribution for the seven (7) plus three (3) years using the discounted cashflow methodology as at 31 May 2008.

3.7 Shares to be acquired free from encumbrances

The Purchaser will purchase from BATA the Sale Shares free from all encumbrances for the Purchase Consideration.

3.8 Liabilities to be assumed

There are no liabilities, including contingent liabilities and guarantees, to be assumed by the Company and TWPH pursuant to the Proposed Acquisition.

3.9 Source of Funding

The Company intends to use its internal funds and external borrowings to finance its portion (49%) of the Purchase Consideration.

3.10 Estimated Additional Financial Commitment

The Company does not expect any additional financial commitment to put the business of Anzpac on-stream after the Proposed Acquisition. However, it is expected that TWPH and NTIH will be required to inject working capital of up to AUD3.0 million into Anzpac until such time Anzpac is able to secure its own working capital financing facilities.

4. RISK FACTORS AND PROSPECTS

4.1 Risk Factors

(a) Business Risks

Anzpac is subject to risks inherent in the printing and packaging industry. These include but are not limited to labour and supply shortages, increase in the costs of production, changes in business and credit conditions and introduction of new products. In addition, Anzpac is mainly reliant on a single major customer for printing services for tobacco packaging.

There can be no assurance that the above business risks will not have a material adverse impact on Anzpac. However, as the Group is also involved in the same business, the Board of Directors does not foresee any additional business risk arising from the Proposed Acquisition for which the Group is not already exposed to. Accordingly, the Proposed Acquisition is not expected to alter the existing business risk profile of the Group.

(b) SA-BATA

Pursuant to the Proposed Acquisition, the Supply Agreement is solely entered into with BATA and does not include supply contracts with other Anzpac customers.

Although BATA is currently Anzpac's largest customer, the exclusive supply agreement with BATA does not guarantee the receipt of similar or increased volume of orders after completion of the Proposed Acquisition

(c) Policies on Foreign Investment and Repatriation of Profits

Pursuant to the Proposed Acquisition, the Company and TWPH will be subject to the policies on foreign investment and repatriation of profits under the Australian Laws. Generally, there are no restrictions in policies on foreign investment and repatriation of profits from these countries.. However, there can be no assurance that any changes to these laws in the future will not have a material and/or adverse effect on the Group.

(d) Currency Risk

Anzpac is exposed mainly to fluctuations of the United States Dollars and Australian Dollars. Anzpac's sales is denominated in the Australian Dollars and the cost of its major raw materials is denominated in United States Dollars whilst the costs of its operations are mainly denominated in Australian Dollar. With the expansion of the Group regionally, the Group will be further exposed to increased foreign exchange risk.

There can be no assurance that future foreign exchange fluctuations will not have a material and/or adverse effect on the financial performance of the Group.

(e) Translation Risk

The financial statements of Anzpac are prepared in Australian Dollar whilst the financial statements of the Company are prepared in Singapore Dollar. These accounts will be translated to Singapore Dollar upon consolidation. As a result, the Company will be exposed to foreign exchange translation risk, which depends on the foreign exchange rate ruling at the balance sheet date. There can be no assurance that the exchange rate will not become volatile or that Australian Dollar will not devalue significantly against the Singapore Dollar. Any devaluation of Australian Dollar against the Singapore Dollar will adversely affect the value the assets and income to be derived from the operations in Australia.

(f) Competition Risk in Australia

Competition between packaging companies in Australia is intense. Consolidation and utilisation of synergies is often seen amongst the players in the packaging industry in Australia.

However, the Board is confident Anzpac will be able to manage the competition risk as Anzpac has an established track record in the industry and a long standing relationship with its major customers.

(g) Political, Economic and Regulatory Considerations

Like any other business entities, changes in political and economic conditions in the countries in which Anzpac operates could materially and/or adversely affect the financial and business prospects of the Anzpac. These political and economic uncertainties include but are not limited to, changes in political leadership, expropriation, nationalisation, social unrest, changes in interest rates and changes in the investment and taxation policies.

4.2 Prospects of Anzpac

Anzpac is currently involved in printing services in Australia mainly for tobacco packaging of a multi-national company and some domestic companies in the FMCG sector.

From the report by International Monetary Fund, the forecasted growth for gross domestic products (“GDP”) for Australian for the 2008 and the next 5 years are more than 3.0% per annum.

(Source: World Economic Outlook Database, April 2008)

The Group has been granted the SA-BATA in Australasia region for 7 to 10 years, effectively securing a large part of its business for that period.

Accordingly, the Board believes that the Proposed Acquisition will further strengthen the Group’s position as a regional printing and packaging player and contribute positively to the future financial performance of the Group.

5. COMPUTATION OF RULE 1006

The relative figures of Rule 1006 of the SGX-ST Listing Manual based on the announced unaudited consolidated financial statements for the period ended 31 March 2008 and the Company's 49% equity interest ("Interest") in Anzpac via JVCO are as follows:-

Rule	Bases	Relative Figure
1006(a)	Not applicable	Not applicable
1006(b)	<p>The unaudited net profit (before income tax, minority interests and extraordinary items) attributable to the Interest to be acquired is SGD0.7 million, compared with the Group's latest announced consolidated net profit of SGD5.7 million for the first quarter ended 31 March 2008</p> <p>The unaudited net profit⁽¹⁾ (before income tax, minority interests and extraordinary items) attributable to the Interest to be acquired is SGD4.5 million, compared with the Group's audited consolidated net profit of SGD18.0 million for the full year ended 31 December 2007.</p> <p><i>(1) Anzpac is not required to prepare audited financial statements under the Australian Financial Reporting Standards. Accordingly, the figures are unaudited. However, the auditors of BATA has reviewed all the financials of Anzpac as part of the audit of BATA as required by the auditing requirements in Australia as a consolidated group.</i></p>	<p>12.3 %</p> <p>25.0 %</p>
1006(c)	The value of the consideration to be given is SGD38.5 million (AUD29.4 million @ 1.309), compared with the Company's market capitalization of SGD76.9 million (based on the weighted average price of the Company's shares transacted on the market day preceding the signing of the SPA)	50.1 %
1006(d)	The number of equity securities issued by the issuer as consideration for an acquisition, compared with the number of equity securities previously issue.	Not applicable

As the relative figure for Rule 1006(c) shown above exceeds 20%, the Proposed Acquisition is a major transaction within the meaning of Chapter 10 of the SGX-ST Listing Manual and therefore, the Company is required to seek shareholders' approval for the Proposed Acquisition. A circular to shareholders setting out details of the Proposed Acquisition will be sent to shareholders in due course.

6. FINANCIAL EFFECTS

For illustrative purposes only. The financial effects of the Proposed Acquisition on the Group as set out below were prepared based on the audited consolidated financial statements of the Group for the financial period ended 31 December 2007 and subject to the following key assumptions:

- (i) For the purposes of calculating the net tangible assets of the Group after the Proposed Acquisition, it is assumed that the Proposed Acquisition was completed on 31 December 2007.
- (i) For the purposes of computing the earnings per share of the Group, it is assumed that the Proposed Acquisition was effected on 1 January 2007.
- (ii) For the purposes of computing the earnings per share of the Group, an additional finance cost of S\$4.6 million relating to the Proposed Acquisition has been included.
- (iii) On 6 November 2007, NTIH announced that the Company had entered a conditional sale and purchase agreement with Shanghai Asia Company Pte Ltd, a wholly-owned subsidiary of Shanghai Asia Holdings Limited (“SAH”), in which the Company has a 31.96% shareholding for the sale of 16% equity interest in the capital of Jiangsu Zhongji Lamination Materials Co., Ltd (“JZLM”). The sale consideration will be satisfied by the issuance of 55,586,436 Consideration Shares representing 8.29% of the enlarged issued and paid-up share capital of SAH. The transaction has been completed on 11 March 2008. For the purposes of computing the earnings per share and the net tangible assets per share of the Group, it is assumed the disposal had taken place on 1 January 2007 and 31 December 2007 respectively.
- (iv) For the purposes of computing the earnings per share and the net tangible assets per share of the Group, it is assumed the increase in the Company’s ownership in SAH from 31.96% to 32.98% took place on 1 January 2007 and 31 December 2007 respectively.
- (v) On 11 April 2008, NTIH announced that the disposed of its entire 85% interest in Inner Mongolia New Asia Paper Products Co., Ltd (“IMNA”). For the purposes of computing the earnings per share and the net tangible assets per share of the Group, it is assumed the disposal had taken place on 1 January 2007 and 31 December 2007 respectively.

The financial effects calculations below are theoretical in nature and have not included the effect of purchase price allocation on the Proposed Acquisition, and are therefore not necessarily indicative of the future actual financial position and earnings of the Group after completion of the Proposed Acquisition:

- (i) Net tangible assets (“NTA”) per share

The NTA per share of the Group would have decreased from 37.56 cents to 35.93 cents as at 31 December 2007.

- (ii) Earnings per share (“EPS”)

The EPS of the Group would have increased from 4.75 cents to 5.98 cents for the year ended 31 December 2007.

7. INTEREST 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 Acquisition.

8. DOCUMENT FOR INSPECTION

A copy of the SPA is available for inspection during normal business hours from 9 a.m. to 5 p.m. at the registered office of the Company at 8 Cross Street, #11-00 PWC Building, Singapore 048424 for a period of 3 months from the date of this announcement.

By Order of the Board
Gary Yen
Executive Director / Chief Executive Officer
1 July 2008