



UNITED TEST AND ASSEMBLY CENTER LTD

Proposed Acquisition of NS Electronics Bangkok (1993) Ltd (“Proposed Acquisition”)

1. INTRODUCTION

The Board of Directors of United Test and Assembly Center Ltd (the “**Company**” or “**UTAC**”) wishes to announce that the Company has on 20 April 2006 entered into a share purchase agreement (the “**Share Purchase Agreement**”) with UBS Capital B.V. (“**UBS Capital**”) pursuant to which UTAC has agreed to acquire, and UBS Capital has agreed to sell, UBS Capital’s 68.45% interest comprising 205,231,019 ordinary shares of Baht 10 each (the “**Sale Shares**”) in the registered capital of NS Electronics Bangkok (1993) Ltd (“**NSEB**”). As a term of the Share Purchase Agreement, UTAC has agreed to offer to acquire from the remaining NSEB shareholders (the “**Remaining Shareholders**”) all of the ordinary shares of Baht 10 each in the registered capital of NSEB (the “**NSEB Shares**”) held by them at the same price per Sale Share and on other terms and conditions no less favourable than those agreed with UBS Capital. It is the intention of UTAC to acquire at least 85% and up to 100% of NSEB Shares.

DBS Bank Ltd is the financial adviser to UTAC on the Proposed Acquisition. UBS Capital is being advised by Macquarie Securities (Asia) Pte Limited.

2. INFORMATION ON THE NSEB GROUP

NSEB is principally involved in the provision of semiconductor assembly and test services (“**SATS**”) to semiconductor companies worldwide from its two manufacturing facilities located in Thailand. It has a broad portfolio of assembly capabilities and has the ability to provide full turnkey services, whereby wafers are tested, assembled and the packaged semiconductors are tested for conformity to pre-determined electrical and physical specifications before being drop-shipped to end-customers.

NSEB has one subsidiary in the United States (“**US**”), NS Electronics (USA) Inc. (“**NSE USA**”), which is a sales office responsible for providing customer services to its predominantly US-based customers (collectively, NSEB and NSE USA are known as the “**NSEB Group**”).

3. RATIONALE FOR THE PROPOSED ACQUISITION

- ***Enhanced packaging business and portfolio***

The Proposed Acquisition is an expansion of UTAC’s existing core businesses that will enhance the competitiveness of UTAC’s assembly business by:

- (i) extending UTAC’s packaging portfolio;
- (ii) providing an alternate low-cost manufacturing base; and
- (iii) enhancing purchasing power with suppliers through consolidated purchasing.

- **Customer fit**

With minimal overlap in both companies' customer bases, UTAC would be able to benefit from NSEB's strong relationships with prominent customers through cross-selling opportunities. The combination of NSEB's strength in packaging technologies with UTAC's strength in high-end testing will allow UTAC to offer a more comprehensive range of products and services to both UTAC's and NSEB's customers.

- **Economies of scale**

The enlarged group will be a leading global SATS provider enabling it to take advantage of shared resources in research and development, marketing and other corporate functions.

4. PURCHASE CONSIDERATION

The aggregate consideration (the "**Aggregate Consideration**") for 100% of the NSEB Shares would be US\$175,000,000, subject to downward adjustment if there is any shortfall in the consolidated net asset value of NSEB between 1 April 2006 and 31 December 2005 exceeding Baht189,551,479 (the "**NAV Shortfall**").

The purchase consideration for the Sale Shares to be purchased from UBS Capital (the "**Purchase Consideration**") is to be calculated based on 68.45% of the Aggregate Consideration. The Purchase Consideration, which was arrived at on a willing-buyer willing-seller basis after taking into account *inter alia* the financial condition, customer base, manufacturing capabilities, assets and cashflow generating capabilities of the NSEB Group.

The Aggregate Consideration for the Proposed Acquisition will be satisfied in cash on completion and UTAC proposes to fund the Proposed Acquisition through internal resources and bank borrowings.

5. CONDITIONS PRECEDENT TO COMPLETION

The Proposed Acquisition is subject to and conditional upon, *inter alia*, the entry by UTAC into agreements with all or some of the Remaining Shareholders to purchase from them not less than 49,635,139 NSEB Shares representing approximately 16.55% of the registered capital of NSEB on terms acceptable to UTAC and in accordance with the terms of the Share Purchase Agreement.

6. FINANCIAL HIGHLIGHTS OF THE NSEB GROUP

Selected Audited Financials for FY2005⁽¹⁾

Income Statement Items	(Baht 'million)	(US\$ 'million) ⁽⁵⁾
Revenue	5,279.2	131.1
EBITDA ⁽²⁾	1,734.5	43.1
EBIT ⁽³⁾	649.5	16.1
Profit Before Tax	619.1	15.4
Net Profit ⁽⁴⁾		
- including the underprovision of income tax expenses in prior years	243.9	6.1
- excluding the underprovision of income tax expenses in prior years	477.6	11.9
Balance Sheet Items	(Baht 'million)	(US\$ 'million) ⁽⁶⁾
Total Assets	6,556.6	159.8
Gross Debt ⁽⁷⁾	429.2	10.5
Cash	266.3	6.5
Shareholders' Equity	3,791.0	92.4

Notes:

- (1) NSEB Group's audited consolidated financial statements for the financial year ended 31 December 2005 ("FY2005") were prepared in accordance with generally accepted accounting principles in Thailand ("Thai GAAP").
- (2) Earnings before interest, tax, depreciation and amortisation.
- (3) Earnings before interest and tax.
- (4) The net profit per NSEB Group's audited consolidated financial statements for FY2005 includes adjustments in relation to income tax expenses underprovided for in prior financial years 2003 and 2004, amounting to Baht233,733,356 or US\$5.8 million. These adjustments were related to the treatment of bad debt relief and allowance for doubtful accounts as tax deductible expenses in those financial years by NSEB. NSEB received a notification letter dated 28 December 2005 from the Thailand Revenue Department stating that NSEB cannot yet treat the related bad debt and allowance for doubtful accounts as tax deductible expenses. Accordingly, NSEB recalculated the revised tax liabilities and recorded such income tax expenses in financial year 2005.
- (5) Based on the average exchange rate for FY2005 of Baht40.27 : US\$1.
- (6) Based on the year-end exchange rate for FY2005 of Baht41.03 : US\$1.
- (7) Total bank borrowings and finance lease liabilities.

7. PROFORMA FINANCIAL EFFECTS

7.1 Assumptions

The proforma financial effects of the Proposed Acquisition are for illustrative purposes only and do not reflect the future financial results or position of the enlarged UTAC Group after the completion of the Proposed Acquisition (collectively, UTAC and its subsidiaries are known as the "UTAC Group"). It is also not necessarily indicative of results of the operations or related effects on the financial position that could have been attained had the enlarged UTAC Group actually existed at an earlier date.

The proforma FY2005 financial numbers are based on the audited consolidated financial statements of UTAC Group prepared under Singapore Financial Reporting Standards and audited consolidated financial statements of NSEB Group prepared under Thai GAAP for FY2005. No adjustments have been made in the proforma financial numbers for any differences in accounting standards, principles and practices used by UTAC and NSEB in the preparation of the financial statements, nor for the effects of purchase price allocation, including fair valuation of identifiable assets and liabilities at the date of acquisition and the corresponding depreciation, amortisation and other effects on the financial results of the post-acquisition enlarged UTAC Group.

The proforma goodwill of approximately US\$82.6 million arising on consolidation has been computed based on the assumption that the Company purchases 100% of NSEB at US\$175 million without making any adjustments for purchase price allocations and for differences in accounting standards, principles and practices used by UTAC and NSEB. The actual goodwill that will be recorded in the enlarged UTAC Group after the completion of the Proposed Acquisition will take into account these adjustments and hence, will vary from that used for the purposes of determining the proforma financial effects of the Proposed Acquisition below.

In accordance with Financial Reporting Standard 103 - *Business Combinations*, the resulting goodwill will be carried on the balance sheet of UTAC Group without amortisation but instead tested for impairment at least annually.

7.2 Net Tangible Assets (“NTA”)

For illustrative purposes only and subject to the assumptions above, based on the audited consolidated financial statements of the UTAC Group for the financial year ended 31 December 2005 (“**FY2005**”), the proforma financial effect of the Proposed Acquisition on the NTA for each issued share in the capital of UTAC (a “**UTAC Share**”) as at 31 December 2005 (assuming that the Proposed Acquisition had been effected on 31 December 2005) is as follows:

	As at 31 December 2005	
	Before the Proposed Acquisition	(Proforma) After the Proposed Acquisition
NTA (US\$ in millions)	466.6	384.0
Number of UTAC Shares (in millions)	1,466.0	1,466.0
NTA per UTAC Share (US cents) ⁽¹⁾	31.83	26.20

Note:

(1) NTA per UTAC Share is computed based on 1,465,952,146 issued and fully paid up shares of the Company as at 31 December 2005.

7.3 Earnings

For illustrative purposes only and subject to the above assumptions, based on the audited consolidated financial statements of the UTAC Group for FY2005, the proforma financial effect of the Proposed Acquisition on the earnings per UTAC Share (“EPS”) for FY2005 (assuming that the Proposed Acquisition had been effected on 1 January 2005) is as follows:

	FY2005	
	Before the Proposed Acquisition	(Proforma) After the Proposed Acquisition ⁽¹⁾
Earnings attributable to shareholders (US\$ in millions)		
- including the underprovision of income tax expenses in prior years	41.8	39.8
- excluding the underprovision of income tax expenses in prior years	41.8	45.6
Number of UTAC Shares (in millions)	1,362.4	1,362.4
EPS (US cents)		
- including the underprovision of income tax expenses in prior years	3.06	2.92
- excluding the underprovision of income tax expenses in prior years	3.06	3.35

Note:

- (1) For the purpose of computing the proforma earnings attributable to UTAC shareholders after the Proposed Acquisition, the interest rate on debt financing for the Proposed Acquisition is assumed to be the same as the weighted average effective interest rate of the Company’s US Dollar long-term bank loans. EPS is computed based on weighted average number of ordinary shares in issue of 1,362,422,767 in FY2005.

8. MAJOR TRANSACTION

The Proposed Acquisition is expected to be classified as a “Major Transaction” under Rule 1013 of the SGX-ST Listing Manual (the “**Listing Manual**”).

The relative figures computed on the bases set out in Rule 1006 of the Listing Manual are as follows:

- (i) Net profit test: The net profit before tax, minority interest and extraordinary items (“**NPBT**”) attributable to NSEB (assuming UTAC is able to purchase 100% of the NSEB Shares) of approximately US\$15.4 million based on the audited consolidated financial statements of the NSEB Group for FY2005 amounts to 37.7% of the UTAC Group’s NPBT of US\$40.8 million for FY2005 based on the audited consolidated financial statements of the UTAC Group for FY2005. NSEB Group did not have any minority interest or extraordinary item in its audited consolidated financial statements for FY2005.
- (ii) Market capitalisation test: The Purchase Consideration (assuming UTAC is able to purchase 100% of the NSEB Shares and that the NAV Shortfall is zero) of approximately US\$175 million (equivalent to approximately S\$279.8 million based on an exchange rate of US\$1: S\$1.5986 as at 19 April 2006) amounts to approximately 19.7% of UTAC’s market capitalisation of approximately S\$1,421.2 million based on the weighted average price of UTAC’s shares of S\$0.9552 transacted on 19 April 2006 (the market day preceding the date of the Share Purchase Agreement).

As UTAC's shares had been trading in the range of S\$0.893 to S\$0.955 (based on the weighted average price of UTAC's shares for the past 30 days) in the past month, the Purchase Consideration could exceed 20% of UTAC's market capitalisation depending on the weighted average price of UTAC's shares on the market day prior to the date of the Share Purchase Agreement.

As a matter of prudence, UTAC had sought a waiver from the SGX-ST from having to convene an extraordinary general meeting to seek the approval of its shareholders for the Proposed Acquisition. On 19 April 2006, the SGX-ST granted such waiver to UTAC subject to this announcement complying with the requirements in Rule 1013 of the Listing Manual and the disclosure of such waiver granted in compliance with Rule 107 of the Listing Manual.

The factors taken into account by the SGX-ST in granting the waiver include the following:

- (i) based on the relative figures computation pursuant to Rule 1006 of the Listing Manual, the only threshold that is exceeded is based on the net profit test, and accordingly under the Listing Manual, Rule 1014 would not apply as shareholders are not in normal circumstances expected to be concerned if the assets to be acquired are profit contributors;
- (ii) that the Proposed Acquisition is an expansion of UTAC's existing core businesses;
- (iii) that UTAC is of the view that the Proposed Acquisition does not have a significant impact on UTAC's risk profile;
- (iv) that the Proposed Acquisition does not result in a change in control of UTAC because the Purchase Consideration is payable in cash and not by way of issue of shares in the capital of UTAC; and
- (v) that the Proposed Acquisition will be funded through internal resources and bank borrowings, and that it is not expected to have any material adverse impact as to the gearing or the working capital of the UTAC Group post-acquisition.

9. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

To the best knowledge of the Directors, none of the Directors or substantial shareholders of UTAC has any interest, direct or indirect, in the Proposed Acquisition.

10. DOCUMENTS FOR INSPECTION

A copy of the Share Purchase Agreement is available for inspection during normal business hours at the office of UTAC at 5 Serangoon North Avenue 5, Singapore 554916, for a period of three months commencing from the date of this announcement.

BY ORDER OF THE BOARD

Lareina Yap Chu Han
Singapore, 21 April 2006