



TAT SENG PACKAGING GROUP LTD.

達成包裝集團

Company Registration Number: 197702806M

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**PROPOSED ACQUISITION OF BUSINESS OF UNITED PAPER INDUSTRIES PTE LTD  
("PROPOSED ACQUISITION")**

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**1. Introduction**

The Board of Directors of Tat Seng Packaging Group Ltd (the "**Company**") wishes to announce that on 6 June 2008 the Company has entered into a conditional sale and purchase agreement (the "**S&P Agreement**") with United Paper Industries Pte Ltd (the "**Vendor**") for the acquisition of the business ("**Business**"), fixed assets and stocks of the Vendor (the "**Assets**") ("**Proposed Acquisition**").

The Company has incorporated a wholly-owned subsidiary, United Packaging Industries Pte Ltd ("**United Packaging**"), in Singapore with an issued and paid up share capital of S\$1 each. The principal activities of United Packaging is the manufacture and sale of corrugated paper products. It is contemplated that the obligations of the Company under the S&P Agreement would be undertaken by United Packaging.

**2. Information on the S&P Agreement**

**2.1 Background**

The Business of the Vendor is the manufacture and sale of corrugated paper products currently carried on in Singapore. The Vendor is a wholly-owned subsidiary of United Pulp & Paper Company Limited, a public company listed on the Main Board of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"). The Company will acquire the Assets free from all encumbrances.

Completion of the S & P will take place on 14 July 2008 or such other date as the Company and the Vendor may mutually agree in writing ("**Completion Date**").

**2.2 Consideration**

The aggregate consideration for the Proposed Acquisition ("**Purchase Consideration**") is approximately S\$4,965,290 and is subject to stock adjustments. It was arrived at on a willing buyer willing seller basis after arm's length negotiations between the Company and the Vendor. The net book value of the fixed assets and stocks acquired is S\$4,465,290. The Purchase Consideration will be in cash and is to be satisfied as follows:-

1. a refundable deposit equivalent to 10% of the Purchase Consideration ("**Deposit**") is to be paid to the Vendor immediately upon execution of the S & P Agreement.

2. an amount equivalent to S\$1,960,170 after deducting the Deposit is to be paid on the Completion Date; and
3. the balance of the Purchase Consideration, which shall be an amount equivalent to the final net book value of the stocks, is to be paid 30 days after the Completion Date.

The Proposed Acquisition will be financed from internal resources.

### 2.3 Final net book value of stocks

The book value of the stocks as at the date of the S & P Agreement is approximately S\$2,508,591. A stock take would be carried out and adjustments be made for, *inter alia*, stock obsolescence to determine the final net book value of stocks on completion date.

### 2.4 Lease agreement

On Completion Date, the Vendor and United Packaging shall, *inter alia*, execute the conditional lease agreement ("**Lease Agreement**") for the lease of the premises at 35 Tuas View Crescent Singapore 637608 for an initial term of 3 years ("**Initial Term**") and a second term of another 3 years ("**Second Term**").

The rents payable under the Lease Agreement are set out as follows:-

- (a) for the Initial Term, United Packaging will pay to the Vendor rent as follows:

Year	Rent (S\$ p.a)
First Year	1,200,000
Second Year	1,236,000
Third Year	1,236,000

- (b) for the Second Term, as may be permitted by Jurong Town Corporation ("**JTC**"), United Packaging will pay to the Vendor rent as follows:

Year	Rent (S\$ p.a)
First Year	1,273,080
Second Year	1,273,080
Third Year	1,311,272

### 2.5 Employees

United Packaging shall offer employment to all of the existing employees of the Vendor, such employment to take effect on the Completion Date, on terms and conditions which are the same as the terms of employment with the Vendor.

### 3. Conditions Precedent

The completion of the S & P Agreement is conditional upon and subject to, *inter alia*, the following conditions precedent being fulfilled:

- (a) a shareholders' resolution passed at a general meeting of the Vendor's holding company, United Pulp & Paper Company Limited, approving the transactions as contemplated in the S & P Agreement;
- (b) a shareholders' resolution passed at a general meeting of the Company, if required and a board resolution of the Company approving the transactions contemplated in the S & P Agreement;
- (c) all consents, authorisations, approvals, clearances, orders, waivers and alike that are necessary or required to be obtained by any party in connection with the transactions as contemplated in the S&P Agreement under any and all applicable laws and regulations (including without limitation, those related to the listing rules of the SGX-ST and consent from JTC on the lease agreement previously entered into between JTC and the Vendor) having been obtained and being in full force;
- (d) all consents, authorisations, approvals, orders, waivers and alike that are necessary or required to be obtained by the Vendor from any counter parties to any Contracts (as defined in the Agreement) and commitments into which it has entered, including the equipment lease agreements, relevant governmental authorities or from any other third parties in connection with the transfer of the Vendor's interests in the Assets, having been obtained and are in full force;
- (e) the Company having completed legal and financial due diligence on the Business, Fixed Assets, Stocks and the Property and being reasonably satisfied with the results of the same;
- (f) the Company having carried out a stock take of the Stock in accordance with Clauses 3.3A and 3.3B; and
- (g) the receipt of the Deposit by the Vendor in the manner stipulated in Clause 3.1(a).

#### **4. Financial Effects of the Proposed Acquisition**

- (a) Effect of Net Tangible Asset ("**NTA**") per Share

Assuming that the Proposed Acquisition had been completed at 31 December 2007, the Proposed Acquisition would have the following impact on NTA per share as at 31 December 2007:-

	<b>NTA of the Group (S\$'000)</b>	<b>NTA per Share (cents)</b>
Before Proposed Acquisition	46,805	29.77
After Proposed Acquisition	47,120	29.97

The NTA per share is calculated based on the number of shares in issue of 157,200,000 as at 31 December 2007.

(b) Effect on Earnings Per Share (“EPS”)

Assuming that the Proposed Acquisition had been completed on 1 January 2007, the Proposed Acquisition would have the following impact on the earnings per share of the Group:-

	<b>Net Profit Attributable to Shareholders (\$'000)</b>	<b>EPS (cents)</b>
Before Proposed Acquisition	5,780	3.68
After Proposed Acquisition	6,914	4.40

The EPS for FY2007 is calculated by dividing the net profit after tax attributable to the Shareholders by the number of shares in issue of 157,200,000 as at 31 December 2007.

**5. Relative Figures**

The relative figures computed pursuant to Rule 1006 of the Listing Manual are as follows:

<b>Rule 1006</b>	<b>Bases</b>	<b>Relative figures (%)</b>
(a)	Not applicable to an acquisition of Business	Not applicable
(b)	Net profits attributable to the Business acquired, compared with the Group's net profits	17.91
(c)	Aggregate value of the consideration given compared with the Company's market capitalisation based on last available transaction price on 2 June 2008	15.41
(d)	Number of equity securities issued by the issuer as consideration for an acquisition, compared with the number of equity securities previously in issue.	Not applicable

As the relative figures under Rules 1006(b) and (c) exceed 5% but do not exceed 20%, the Proposed Acquisition is classified as a discloseable transaction as defined in Chapter 10 of the Listing Manual.

**6. Rationale**

The Proposed Acquisition is in line with the expansion plan of the Group and will strengthen its market position and enlarge its market share. The Group will be able to enjoy the benefits of economies of scale and enhance its financial performance.

**7. Interest of Directors and Shareholders in the Proposed Acquisition**

None of the Directors or controlling shareholders of the Company has any interest, direct or indirect, in the Proposed Acquisition.

**8. Copies of Documents available for Inspection**

Copies of the following documents are available for inspection at the Company's registered office at 35 Tuas View Crescent Singapore 637608 during the Company's business hours for 3 months from the date of the Announcement :-

- (a) The Sales and Purchase Agreement; and
- (b) The Lease Agreement.

By Order of the Board

Loh See Moon  
Managing Director  
6 June 2008