

World-Class Semiconductor Test And Assembly Player, UTAC, Launches Main Board IPO - Offers 220 Million New Shares At S\$0.83 Each - UTAC's S\$182.6 Million IPO Is Largest Equity Offering Since Singpost's Listing

Jan 28, 2004

Singapore, January 28, 2004 - United Test and Assembly Center Ltd ("UTAC"), a leading solutions provider for semiconductor test and assembly, launched its initial public offering ("IPO") of 220 million shares at S\$0.83 per share today. UTAC plans to raise estimated gross proceeds of S\$182.6 million from its IPO and this will be the largest issue on the local bourse so far this year as well as the largest equity offering since Singapore Post Limited's listing last year. UTAC will be listed on the Main Board of the Singapore Exchange Securities Trading Limited ("SGX-ST").

"We are pleased to reach this major milestone in our relatively young corporate history. With our strong capabilities in test and assembly for both memory and non-memory chips, we are well-positioned to ride on the recovery in the semiconductor industry. The proceeds raised from our IPO will enable us to accelerate our plans to enhance our full turnkey solutions, expand our customer base and forge strategic partnerships to complement our business," said UTAC's President and Chief Executive Officer, Mr Lee Joon Chung.

"UTAC is a world-class player in semiconductor test and assembly. Within a short span of time, it has grown quickly to become one of the world's top ten semiconductor test providers by revenue for 2002. This is not only an endorsement of the company's strong capabilities in the testing of semiconductors, but also a testament of the dynamism of its management in spearheading the company to greater heights.

"The response from institutional investors during the roadshows has been very strong. This is a testimony of investors' confidence in the Group's strong fundamentals and prospects. Investors are indeed impressed with the track record of the management team. Despite its short operating history, the Group has been winning market share from its global competitors. We are indeed proud to be the Lead Manager for UTAC's listing," said Mr Kan Shik Lum, Managing Director, Head, Equity Capital Markets, Investment Banking Group, DBS Bank Ltd ("DBS Bank").

The Invitation

The Invitation comprises 220 million New Shares representing approximately 27.5% of UTAC's enlarged share capital of 800,666,892 shares.

In addition, UTAC has granted DBS Bank an Over-Allotment Option to subscribe and/or procure subscription for up to an aggregate of 33 million Additional Shares, representing up to 15% of the Invitation.

The Invitation is structured as follows:

- 15 million Offer Shares by way of public offer; and
- 205 million Placement Shares by way of placement, comprising:
 - 184 million Placement Shares by way of Application Forms;
 - 15 million ATM Placement Shares offered on a "first-come, first-served" basis for applications made through the ATMs of DBS Bank (including POSB);
 - 1 million Internet Placement Shares for applications through the Internet website of DBS TD Waterhouse (Singapore) Pte Ltd; and
 - 5 million Reserved Shares for Independent Directors and employees of the Group payable in full on application (subject to the Over-Allotment Option).

DBS Bank is the Lead Manager, Lead Underwriter, Lead Placement Agent and Sole Bookrunner for UTAC's IPO. CLSA is the Co-Underwriter and Co-Placement Agent for the IPO.

Application for New Shares (Offer Shares and Placement Shares) by way of application forms will open on January 28, 2004.

As for Electronic Applications, the opening time and date of the various tranches are as follows:

(a) applications for the Internet Placement Shares through DBS TD Waterhouse (Singapore) Pte Ltd will open from 12.00 noon on January 29, 2004;

(b) applications for the ATM Placement Shares offered on a "first-come first-served" basis will be made available through the ATMs of DBS Bank (including POSB) from 3.00 p.m. on January 29, 2004 onwards; and

(c) applications for the Offer Shares via ATMs and internet banking of participating banks are available from 9.00 a.m. on January 30, 2004.

"We have reviewed the overwhelming responses for the ATM placement shares for the past two issues managed by DBS and introduced refinements to the popular "first-come-first-served" ("FCFS") Share Application System to make banking more convenient and accessible to customers," said Mr Kan of DBS Bank.

"Application for the FCFS retail tranche will now open at the non-peak-banking hour of 3.00 p.m. instead of 12.00 noon, to minimise inconveniences that may arise for DBS/POSB customers who wish to conduct other ATM banking transactions during the lunch hour," explained Mr Kan.

"To allow more retail investors to participate in UTAC's offering, each DBS/POSB customer will be able to apply for up to 3,000 shares in the FCFS tranche instead of the previous cap of 5,000 shares per applicant. Lastly, application for the Public Offer tranche will open a day after the FCFS tranche application opens to enable customers to distinguish clearly their applications for the two tranches," added Mr Kan.

The issue will close at 12.00 noon on February 5, 2004 and trading for the shares is expected to commence at 9.00 a.m. on February 9, 2004.

Use of Proceeds

UTAC plans to use the estimated net proceeds of S\$175.5 million raised from its IPO as follows:

- approximately S\$87.0 million to partially finance capital expenditure requirements; and
- the balance of approximately S\$88.5 million for general working capital requirements and investments and/or acquisitions as and when such opportunities arise.

A Global Leader in Semiconductor Solutions

Established in 1997, UTAC has carved out a name for itself as a leading independent provider of semiconductor assembly and testing services to its customers, which comprise Integrated Device Manufacturers ("IDMs"), fabless companies and wafer foundries.

UTAC provides wafer probing and final testing services on a diverse selection of test platforms for a range of semiconductors including memory, logic, mixed-signal and radio-frequency ICs. Besides testing services, UTAC also provides assembly services of a broad range of leadframe and array packages.

"We have positioned ourselves to provide relevant testers and test solutions for the latest generation of memory semiconductors. We have also been developing our expertise in testing complex mixed-signal, high-end logic and radio frequency semiconductors. Hence, we differentiate ourselves by our ability to test both memory and non-memory semiconductors," said Mr Lee.

Headquartered in Singapore where it houses its manufacturing, test engineering and package design facilities, UTAC has also established a global network of sales offices in the United States, Italy and Japan and an appointed sales agent in Israel. It has also incorporated a wholly-owned manufacturing facility in the PRC to provide wafer probing and testing services.

Tapping the Outsourcing Trend

With the recovery in the global semiconductor industry, there is increasing demand for the services of independent providers of semiconductor assembly and test solutions such as UTAC.

The outsourcing trend by IDMs and the growth of fabless companies is expected to drive growth in the outsourcing assembly and test markets. Gartner Dataquest ("Gartner") forecasts that the global outsourced assembly and test revenues will achieve a CAGR of approximately 19.2% from 2002 to 2007. Gartner also estimates that revenue from fabless companies will achieve a 5-year CAGR of 19.3% from US\$6.5 billion in 2002 to US\$15.7 billion by 2007, representing 12% and 17% of the total semiconductor revenue, respectively.

"We are able to offer our customers state-of-the-art technology which allows them to reduce time-to-market and lower manufacturing costs. Southeast Asia is also rapidly emerging as the new wafer foundry base. For instance, the top two foundries in the world, TSMC and UMC, have already invested in wafer foundry capacities in Singapore. Together with Chartered in Singapore and Silterra and 1st Silicon in Malaysia, these investments boost the regional foundry capacity.

We are well-placed to take advantage of this with our geographical proximity, as well as our engineering expertise and ability to cater to the needs of the wafer foundries in Southeast Asia," explained Mr Lee.

Growth in China's Semiconductor Industry

Meanwhile, China's semiconductor industry is also demonstrating burgeoning growth. The market for semiconductors in China is projected to grow at a CAGR of 18.6% for the next five years from US\$23.0 billion in 2002 to US\$54.0 billion by 2007, according to Gartner. This is significantly higher than the global CAGR of 10.2%.

"The expansion of the electronics end-product industry in China, shift of electronics production into China as well as the emergence of new wafer fabrication capacity, particularly in Shanghai, will fuel growth in the demand for assembly and test services there," said Mr Lee.

"We are well-poised to ride on the tremendous growth opportunities in the China semiconductor market with the establishment of our Shanghai subsidiary last year," he added.

In August 2003, UTAC established a presence in the PRC with the incorporation of UTAC Shanghai.

To accelerate its growth in the PRC and to position itself to capitalize on the PRC semiconductor sector growth, UTAC Shanghai inked a strategic business collaboration agreement with Amkor Assembly and Test (Shanghai) Co., Ltd. ("ATC"). Under this agreement, ATC will provide packaging services and UTAC Shanghai will deliver wafer probing and final testing services for common customers. ATC is a subsidiary of Amkor Technology ("Amkor"), the world's largest IC packaging and test company.

UTAC Shanghai has also entered into a memorandum of understanding with Hua Hong NEC, a wafer foundry located in Shanghai. Under the agreement, it will be the preferred wafer probing partner to Hua Hong NEC.

Diversifying End Application Markets

The increasing applications of electronics in computing, communications and consumer electronics will drive the growth of the semiconductor market, which in turn will create growth opportunities for semiconductor assembly and test service providers such as UTAC.

"With the advent of the wired world, computing appliances will demand higher storing capacity and this should underpin demand for our services for testing memory semiconductors.

Meanwhile, the consumer electronics sector is evolving with the digitisation of devices, gadgets and gizmos. We intend to leverage on our full turnkey expertise in mixed-signal semiconductors to target high growth consumer electronics appliances that will demand increasing digital functionality

However, I am most excited about our 'BM/W' strategy which targets the broadband, mobile and wireless sectors. Communications appliances will likely benefit from continued trends in mobility and convergence of functionality. We have the expertise to test both mixed-signal and radio frequency semiconductors that target high-speed local area and wide area networks and digital subscriber lines, as well full-turnkey expertise in the testing of high-performance memory chips used in communications devices," explained Mr Lee.

Financial Highlights

For the six months ended June 30, 2003 ("1H2003"), UTAC registered a turnover of US\$49.95 million, an increase of 39% from the previous corresponding period.

UTAC narrowed its losses to US\$10.4 million in 1H2003, from a loss of US\$13.9 million in the same period a year ago.

For the three months ended September 30, 2003 ("3Q2003"), it is estimated that the Group would achieve a revenue of US\$30.4 million. For the three months ended December 31, 2003 ("4Q2003"), the Group expects to achieve revenue of US\$34.9 million. As a result, the Group expects to achieve a profit before tax of US\$0.5 million and US\$2.2 million respectively for 3Q2003 and 4Q2003.