


ACQUISITIONS AND DISPOSALS :: MAJOR TRANSACTION :: PROPOSED ACQUISITION OF LAND AND CONSTRUCTION OF NEW PLANT

* Asterisks denote mandatory information

Name of Announcer *	TECKWAH INDUSTRIAL CORP LTD
Company Registration No.	197201105E
Announcement submitted on behalf of	TECKWAH INDUSTRIAL CORP LTD
Announcement is submitted with respect to *	TECKWAH INDUSTRIAL CORP LTD
Announcement is submitted by *	Lo Swee Oi
Designation *	Company Secretary
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>> ANNOUNCEMENT DETAILS

The details of the announcement start here ...

Announcement Title *	PROPOSED ACQUISITION OF LAND AND CONSTRUCTION OF NEW PLANT
Description	Please refer to the attachment.
Attachments	 Teckwah_ProposedAcquisitionofLandandConstructionofNewPlant.pdf Total size = 70K (2048K size limit recommended)

TECKWAH INDUSTRIAL CORPORATION LTD

(the “Company”)

(Incorporated in the Republic of Singapore)

(Company Registration Number: 197201105E)

PROPOSED ACQUISITION OF LAND AND CONSTRUCTION OF NEW PLANT

Introduction

1. The board of directors (the “Board”) of the Company (and together with its subsidiaries, the “Group”) wishes to announce that the Company is exploring the possibility of acquiring land to construct a plant for, *inter alia*, product design, print and media activities, content management, and other supporting activities (the “Proposed Expansion”).

Details of the Proposed Expansion

2. Certain details of the Proposed Expansion, pursuant to the letter of offer from Jurong Town Corporation (“JTC”) dated 21 June 2011 (the “Letter of Offer”) and JTC’s Schedule of Building Terms (the “Building Terms”), are set out below:
 - a. *Land.* The Company has applied to JTC for a licence (the “Licence”) to conduct building and civil works (“Building Works”), and install plant and machinery, (collectively, “Investment Works”) at Private Lot A0810100 at Tai Seng Avenue in Paya Lebar iPark, Singapore (the “Land”). The Land has an area of approximately 9,057 square metres, and is to be developed to a minimum gross floor area at the gross plot ratio of 2.50.
 - b. *Licence.* The Licence will commence on 16 September 2011 for a period of three (3) years (“Licence Term”).
 - c. *Lease Term.* The Company and JTC agree that JTC will grant to the Company a lease term of 30 years (“Lease Term”) if the Company completes, *inter alia*, Investment Works of at least S\$36.91 million in value within the Licence Term. The Investment Works shall comprise building and civil works of at least S\$27.2 million in value, and plant and machinery of at least S\$9.71 million in value.
 - d. *Additional Lease Term.* The Company and JTC further agree that JTC will grant to the Company an additional lease term of 29 years (“Additional Lease Term”) if, *inter alia*, the Company and/or its sub-tenant(s) complete additional investments in relation to plant and machinery (“Additional Investment Works”) of at least S\$15 million in value, within the period of five (5) years after the issue of the temporary occupation permit for the Building Works.
 - e. *Land Price.* Subject to the satisfaction of conditions precedent, the Company shall pay JTC S\$7,721,998.20 (S\$852.60 per square metre) for the Land for the Lease Term (“Land Premium”) by 16 September 2011.
 - f. *Usage.* Pursuant to the Urban Renewal Authority’s guidelines, at least 60% of the Land shall be used for industrial and ancillary storage and warehousing

facilities, and the remaining area shall be used for offices, showrooms, neutral areas and communal facilities.

- g. *Conditions precedent.* Completion of the Proposed Expansion is conditional upon, *inter alia*, approval by relevant governmental and statutory authorities, and the Company's acceptance of the Letter of Offer. Based on the "Schedule of Statutory Controls for Land, Standard Factory and Workshop Customers" provided by JTC (the "Approvals Schedule"), a brief description of the key approvals required for the Proposed Expansion is set out below:

<u>Relevant authority</u>	<u>Nature of approval</u>
1. Urban Redevelopment Authority	: Development Planning and Control – Planning permission for the commencement of development works and compliance with master zoning plan.
2. Building Control Authority	: Building and Structural Safety – Approvals for building and structural plans, and the issuance of the temporary occupation permit and certificate of statutory completion.
3. Fire Safety and Shelter Department	: Fire Safety – Approval for fire safety plans and the issuance of the Fire Safety Certificate prior to the use or occupation of any building.
4. Central Building Plan Unit, National Environmental Agency	: Environmental Control – Clearance for land use applications, development plans and proposals on environmental matters.
5. Public Utilities Board	: Utilities (Water Supply) – Issuance of Certificate of Satisfactory Completion of Water Service Work.
6. Energy Market Authority	: Utilities (Electricity and Gas Supply) – Issuance of licences relating to electrical installations and connections.

The Letter of Offer further provides that the Company shall, upon acceptance of the terms therein, engage a Qualified Person (as defined in the Building Control Act (Chapter 29)), who is a registered architect or professional engineer, to assist the Company in obtaining the approvals required for the Proposed Expansion.

- h. *Other terms.* The Letter of Offer includes the following provisions:
- (i) The Company shall occupy at least 51% of the gross floor area of the buildings constructed on the Land, and subject to, *inter alia*, JTC's prior written consent, may sub-let or grant licences to other third parties.

- (ii) In the event that the Company does not complete the Investment Works within the Licence Term, JTC may reduce the Lease Term.
- (iii) In the event that the Company, subject to JTC's prior written consent, terminates the Licence/ Building Terms or surrenders part of the Land, the Company shall pay to JTC as liquidated damages: (i) an equivalent of one (1) year's prevailing market rent, as determined by JTC; (ii) an equivalent of one (1) year's property tax; and (iii) administrative costs.

Acceptance of the Letter of Offer

- 3. As at the date of this announcement, the Company has yet to accept the terms of the Letter of Offer. The Company intends to accept the terms of the Letter of Offer only upon receipt of the approval of the Company's shareholders ("Shareholders") for the Proposed Expansion at an extraordinary general meeting of the Company to be convened.

Consideration for the Proposed Expansion

- 4. Based on the terms of the Letter of Offer, the Land Premium is S\$7,721,998.20 (S\$852.60 per square metre) for the Land for the Lease Term.
- 5. Assuming that the Company conducts all the Additional Investment Works, the Company's aggregate consideration for the Proposed Expansion (the "Consideration") is currently estimated to be at least S\$59.63 million, comprising: (i) the aforesaid Land Premium of approximately S\$7.72 million; (ii) the Investment Works of at least S\$36.91 million; and (iii) the Additional Investment Works of at least S\$15 million.

In the event that the Company's sub-tenants conduct at least 50% of the Additional Investment Works, the Company's aggregate consideration for the Proposed Expansion is estimated to be at least S\$52.13 million.

The Company may conduct further negotiations with JTC upon completion of the Investment Works, pursuant to which JTC may, in consideration of the prevailing factual matrix, amend the terms and conditions relating to the grant of the Lease Term and Additional Lease Term, including payment of an additional land premium in relation to the Additional Lease Term.

Funding of the Proposed Expansion

- 6. The Company intends to use its existing working capital, bank borrowings and/or proceeds from fund raising exercises to fund the Company's portion of the Proposed Expansion. Such fund raising efforts may include the raising of funds from the equity market.

Rationale for the Proposed Expansion

The Group's current business

- 7. The Group is currently engaged in print-related business and non-print related business. The Group's print-related business involves (i) the provision of packaging

products, such as customised packaging boxes for software products; and (ii) the provision of services, including but not limited to printing, design, and supply chain management services. The Group's non-print related business involves the provision of service parts logistics services and reverse logistics services.

The Proposed Expansion as part of the Group's business expansion plans

8. The Board is of the view that the Proposed Expansion will be a strategic development for the expansion of the Group's print-related business, including by providing (i) new packaging products based on technology which integrates material science and electronics (such as the use of recycled materials as the base for packaging products); and (ii) new services such as packaging prototyping and testing services (collectively, the "Expansion Plans").

In addition, the Board is of the view that the Proposed Expansion presents the following:

Business-related benefits

- (i) The Group will be placed in a better position to foster stronger relationships and capitalise on potential business opportunities as the Land is located close to a high concentration of other print-related businesses.

Property-related benefits

- (ii) The Proposed Expansion is more economically and financially viable as compared to renting premises, as the Board expects that in the long run, the Proposed Expansion will act as a hedge to mitigate any increases in Singapore property rental costs. The Land is part of the Paya Lebar iPark, a project under JTC's iPark21 initiative, which seeks to make industrial estates more attractive by incorporating, *inter alia*, specially designed buildings and green spaces.

9. As the Group already has significant expertise in packaging and provides a wide range of print-related products and services, the Board is of the view that these new products and services constitute complementary additions to the Group's currently available offerings. The Board is also of the view that the Group's current management has the necessary expertise for the Expansion Plans.

Relative figures under Rule 1006 of the Listing Manual of the SGX-ST

10. The relative figures under Rule 1006 of the Listing Manual of the SGX-ST ("Listing Manual"), based on the latest announced consolidated financial statements of the Group for the financial year ended 31 December 2010 ("FY2010"), are set out below:

Rule 1006(a)	Net asset value of the assets to be disposed of	Net asset value of the Group	Relative figure
	Not applicable as this is an acquisition.		
Rule 1006(b)	Net profits attributable to the Proposed	Net profits of the Group for FY2010	Relative figure

	Expansion		
	Not applicable as there are no net profits attributable to the Proposed Expansion until the Investment Works are completed. The Investment Works are expected to be completed in 2014. As such there are no net profits attributable to the Proposed Expansion for FY2010.		
Rule 1006(c)	Consideration for the Proposed Expansion, assuming the Company conducts all the Additional Investment Works	The Company's market capitalisation⁽¹⁾	Relative figure
	S\$59.63 million	S\$66.56 million	89.6%
	Consideration for the Proposed Expansion, assuming the Company's sub-tenants conduct at least 50% of the Additional Investment Works	The Company's market capitalisation⁽¹⁾	Relative figure
	S\$52.13 million	S\$66.56 million	78.3%
Rule 1006(d)	Maximum number of equity securities issued by the Company as consideration	Number of the Company's equity securities previously in issue	Relative figure
	Not applicable as the Company will pay the Land Premium in cash. As at the date of this announcement, the Company does not intend to issue equity securities to fund the Investment Works or the Additional Investment Works.		

Note:

- (1) The market capitalisation of the Group is S\$66.56 million as at 15 August 2011 being the market day preceding the date of this announcement.

As the 20% threshold under Rule 1006(c) of the Listing Manual will be exceeded, the Proposed Expansion is classified as a "major transaction" and will be subject to the approval of Shareholders in general meeting.

Financial effects of the Proposed Expansion

11. For illustrative purposes only, based on the latest announced consolidated financial statements of the Group for FY2010, the financial effects of the Proposed Expansion are estimated as follows:
 - a. *Net Tangible Assets*

The effect of the Proposed Expansion on the Group's net tangible assets ("NTA") for FY2010, assuming the Proposed Expansion had been completed on 31 December 2010, is as follows:

	Before the Proposed Expansion	After the Proposed Expansion, assuming that the Company's sub-tenants conduct at least 50% of the Additional Investment Works	After the Proposed Expansion, assuming that the Company conducts all the Additional Investment Works
NTA (\$)	92,530,000	88,951,172	88,021,172
No. of shares	233,550,248	233,550,248	233,550,248
NTA per share (\$ cents)	39.62	38.09	37.69

b. Earnings

The effect of the Proposed Expansion on the Group's earnings per share ("EPS") for FY2010, assuming the Proposed Expansion had been completed on 1 January 2010, is as follows:

	Before the Proposed Expansion	After the Proposed Expansion, assuming that the Company's sub-tenants conduct at least 50% of the Additional Investment Works	After the Proposed Expansion, assuming that the Company conducts all the Additional Investment Works
Earnings attributable to shareholders (\$)	12,430,450	8,851,622	7,921,622
No. of shares	233,550,248	233,550,248	233,550,248
EPS (\$ cents)	5.32	3.79	3.39

As the Investment Works are expected to be completed in 2014, no income will be generated prior to 2014. As such, the only impact on the Group's

earnings for FY2010 will be costs in relation to the Proposed Expansion, including existing lease expenses, depreciation and finance costs.

c. *Gearing*⁽¹⁾

Assuming that the Company obtains loan financing for 60% of its costs in relation to the Land Premium, Investment Works and Additional Investment Works at an interest rate of 4.0% p.a., and finances the remaining expenditure with internal funds, the effect of the Proposed Expansion on the Group's gearing, assuming the Proposed Expansion had been completed on 1 January 2010, is as follows:

	Before the Proposed Expansion	After the Proposed Expansion, assuming that the Company's sub-tenants conduct at least 50% of the Additional Investment Works	After the Proposed Expansion, assuming that the Company conducts all the Additional Investment Works
Total Borrowings (S\$'000) ⁽²⁾	7,000	31,279,199	35,779,199
Shareholders' Funds (S\$'000) ⁽³⁾	99,335,000	95,756,172	94,826,172
Gross gearing (%)	0.01	32.67	37.73

Notes:

- (1) "Gearing" is computed based on the ratio of Total Borrowings to Shareholders' Funds.
- (2) The expression "Total Borrowings" refers to the amounts expressed in Singapore dollars of liabilities (excluding contingent liabilities) arising from borrowings from shareholder(s), financial institution and non-financial institution lenders.
- (3) The expression "Shareholders' Funds" refers to the amounts expressed in Singapore dollars represented by the aggregate of the issued and paid-up capital, capital reserves, translation reserves, discount on shares issued and revenue reserves of the Group but excluding minority interests.

Service agreements

12. No person will be appointed to the Board in connection with the Proposed Expansion and no service contracts in relation thereto will be entered into by the Company.

Directors' and controlling shareholders' interests in the Proposed Expansion

13. None of the Directors or controlling shareholders (as defined in the Listing Manual) of the Company has any interest, direct or indirect, in the Proposed Expansion.

Documents for inspection

14. Copies of the Letter of Offer and the Building Terms are available for inspection during normal business hours from 9am to 5pm at 25 Pandan Crescent #05-15 TIC Tech Centre, Singapore 128477, for a period of three (3) months from the date of this announcement.

Circular

15. A circular containing further details of the Proposed Expansion, and enclosing the notice of extraordinary general meeting to be convened in connection therewith, will be despatched by the Company to Shareholders in due course.
16. **As the Proposed Expansion is subject to, *inter alia*, acceptance of the Letter of Offer by the Company and Shareholders' approval, there is presently no assurance or certainty that the Proposed Expansion will materialise. Subject to applicable regulatory requirements, the Company will keep Shareholders updated on material developments as and when appropriate. In the meantime, Shareholders and other investors are advised to exercise caution when dealing or trading in the shares of the Company. Shareholders and other investors should consult their stockbrokers, bank managers, solicitors, accountants, or other professional advisers, if they have any doubt about the actions they should take.**

BY ORDER OF THE BOARD

Thomas Chua Kee Seng
Chairman and Managing Director
16 August 2011