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MISCELLANEOUS

** Asterisks denote mandatory information*

Name of Announcer *	THAKRAL CORPORATION LTD
Company Registration No.	199306606E
Announcement submitted on behalf of	THAKRAL CORPORATION LTD
Announcement is submitted with respect to *	THAKRAL CORPORATION LTD
Announcement is submitted by *	Anil Daryanani
Designation *	Group Financial Controller
Date & Time of Broadcast	01-Dec-2009 12:37:05
Announcement No.	00025

>> ANNOUNCEMENT DETAILS

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Announcement Title *	PROPOSED CAPITAL REDUCTION AND CASH DISTRIBUTION
Description	Please see attachment.
Attachments	📎 ThakralCorp_Anmt_CapRedn_20091201.pdf Total size = 42K (2048K size limit recommended)

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THAKRAL CORPORATION LTD
(Incorporated in the Republic of Singapore on 7 October 1993)
(Company Registration No. 199306606E)

ANNOUNCEMENT

PROPOSED CAPITAL REDUCTION AND CASH DISTRIBUTION

1. INTRODUCTION AND RATIONALE

The Board of Directors of Thakral Corporation Ltd ("**Company**") wishes to announce that the Company proposes to undertake a capital reduction exercise ("**Capital Reduction**") pursuant to Section 78G of the Companies Act (Cap 50).

In connection with the proposed Capital Reduction, the Company proposes to distribute the sum of approximately S\$130.6 million (the "**Cash Distribution Sum**") (equal to S\$0.05 per share in the capital of the Company ("**Share**")) to its shareholders by way of a cash distribution ("**Cash Distribution**"), subject to the conditions in section 2 below having been satisfied. The level of cash distribution pursuant to the Capital Reduction has been determined to allow the Company and its subsidiaries (the "**Group**") to maintain sufficient cash reserves and assets to support the Group's current business and, following the completion of the Capital Reduction exercise, to take advantage of new business opportunities that may arise from time to time in the near future. The Capital Reduction will not result in a cancellation of Shares, or a change in the number of Shares, issued by the Company immediately after the capital reduction.

The Cash Distribution Sum comprises paid up capital in excess of the immediate requirements of the Company. In view of such excess capital and taking into account that the Company has not paid dividends to shareholders since the dividend payment for the financial year ended 31 March 2005, the Capital Reduction and Cash Distribution have been proposed to return such excess capital to shareholders.

The Board has previously not reached a consensus on the strategy and business direction for the use or investment of the Company's surplus cash reserves. In the circumstances the Board has unanimously resolved that the surplus capital in the Company be returned to shareholders by way of the Capital Reduction and Cash Distribution.

The Board is of the opinion that the financial resources available to the Group following the Capital Reduction and Cash Distribution will be sufficient for the foreseeable operating and investment needs of the Group.

2. CONDITIONS PRECEDENT

The Capital Reduction is subject to, amongst others, the following:

- (i) the passing of a special resolution by shareholders at the Extraordinary General Meeting of the Company ("**EGM**") approving the Capital Reduction and the Cash Distribution;
- (ii) the approval and confirmation of the High Court of the Republic of Singapore to the Capital Reduction and the Cash Distribution;

- (iii) a copy of the order of court approving the Capital Reduction and the Cash Distribution together with the other documents prescribed under the Companies Act, Chapter 50 being lodged with the Accounting and Corporate Regulatory Authority of Singapore and the Registrar of Companies having recorded the information lodged in the appropriate register; and
- (iv) the approval of all other relevant regulatory authorities (if any and if necessary).

3. FINANCIAL EFFECTS OF THE CAPITAL REDUCTION

For illustrative purposes only and based on the latest audited consolidated financial statements of the Group for the financial year ended 31 December 2008 (“**FY2008**”) and the latest announced consolidated financial statements of the Group for the nine months ended 30 September 2009 (“**3Q2009**”), the financial effects of the Capital Reduction on the Company and the Group, as the case may be, are set out below.

The financial effects are based on the key assumptions that:

- (i) for the purpose of computing the financial effects on earnings per Share (“**EPS**”) and Return on Equity for FY2008, it is assumed that the Capital Reduction had been effected on 1 January 2008;
- (ii) for the purpose of computing the financial effects on EPS and Return on Equity for 3Q2009, it is assumed that the Capital Reduction had been effected on 1 January 2009;
- (iii) for the purpose of computing the financial effects on the net asset value (“**NAV**”) (excluding minority interests) per Share and on the gearing of the Group for FY2008, it is assumed that the Capital Reduction had been effected on 31 December 2008;
- (iv) for the purpose of computing the financial effects on the NAV (excluding minority interests) per Share and on the gearing of the Group for 3Q2009, it is assumed that the Capital Reduction had been effected on 30 September 2009;
- (v) none of the outstanding options to subscribe for new Shares under the Thakral Corporation Employees’ Share Option Scheme 2001 (approved and adopted on 30 March 2001 and the rules of which were revised and approved on 30 July 2004) (the “**Thakral Corporation Employees’ Share Option Scheme**”) were exercised as at 30 November 2009, which is the latest practicable date before the issue of this Announcement (“**Latest Practicable Date**”);
- (vi) no awards of shares have been issued under the Thakral Corporation Employees’ Share Performance Plan 2001 (approved and adopted on 30 March 2001 and the rules of which were revised and approved on 30 July 2004) as at the Latest Practicable Date;
- (vii) cash required for distribution will be generated through liquid cash resources on hand and conversion of assets as required at book values, and

- (viii) estimated transaction costs of approximately S\$200,000 have been taken into account in the computation of the financial effects.

The financial effects have been prepared solely for illustrative purposes and do not purport to be indicative or a projection of the results and financial position of the Company and the Group after the Capital Reduction has been effected.

(a) Share Capital

The effect of the Capital Reduction on the issued share capital of the Company as at the Latest Practicable Date is expected to be as follows:

As at Latest Practicable Date	Before the Capital Reduction	After the Capital Reduction
No. of issued Shares	2,612,113,668	2,612,113,668
Amount of share capital (S\$'000)	203,134	72,528

(b) Earnings per Share

The Capital Reduction will have the following impact on the EPS of the Group:

For FY2008	Before the Capital Reduction	After the Capital Reduction
(Loss) after tax and minority interests of the Group (S\$'000)	(20,473)	(22,755)
Weighted average no. of Shares	2,612,113,668	2,612,113,668
EPS (Singapore cents)	(0.78)	(0.87)

For 3Q2009 (9-month period)	Before the Capital Reduction	After the Capital Reduction
Profit after tax and minority interests of the Group (S\$'000)	5,828	3,930
Weighted average no. of Shares	2,612,113,668	2,612,113,668
EPS (Singapore cents)	0.22	0.15

Note:

- (1) It is estimated that there would be reduction of interest and dividend income of approximately S\$1.9 million as a result of the Capital Reduction.

(c) Net Asset Value

The Capital Reduction will have the following impact on the NAV and NAV per share of the Group:

As at 31 December 2008	Before the Capital Reduction	After the Capital Reduction
Consolidated NAV, (excluding minority interests) (S\$'000)	205,822	75,016
No. of issued Shares	2,612,113,668	2,612,113,668
NAV per Share (Singapore cents)	7.88	2.87

As at 30 September 2009	Before the Capital Reduction	After the Capital Reduction
Consolidated NAV, (excluding minority interests) (S\$'000)	219,765	88,959
No. of issued Shares	2,612,113,668	2,612,113,668
NAV per Share (Singapore cents)	8.41	3.41

(d) Gearing

The Capital Reduction will have the following impact on the gearing of the Group:

As at 31 December 2008	Before the Capital Reduction	After the Capital Reduction
Total borrowing ¹ (S\$'000)	815	815
Net assets ² (S\$'000)	209,748	78,942
Gearing ³	0.00	0.01

As at 30 September 2009	Before the Capital Reduction	After the Capital Reduction
Total borrowing ¹ (S\$'000)	7,642	7,642
Net assets ² (S\$'000)	223,692	92,886
Gearing ³	0.03	0.08

Notes:

- (1) Total borrowings comprise long-term borrowings and short-term borrowings which are interest-bearing.
- (2) Net assets equal total assets less total liabilities (including minority interests).
- (3) Gearing is defined as total borrowings divided by net assets.

(e) Return on Equity

The Capital Reduction will have the following impact on the Return on Equity of the Group:

As at 31 December 2008	Before the Capital Reduction	After the Capital Reduction
(Loss) attributable to shareholders (S\$'000)	(20,473)	(22,755)
Closing shareholder funds (S\$'000)	205,822	101,617
Return on Equity	(9.95%)	(22.39%)

For 3Q2009 (9-month period)	Before the Capital Reduction	After the Capital Reduction
Profit attributable to shareholders (S\$'000)	5,828	3,930
Closing shareholder funds (S\$'000)	219,765	79,142
Return on Equity	2.65%	4.97%

4. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

The following Directors hold directorships and/or have direct shareholdings in the following companies as at the Latest Practicable Date:-

- (i) Mr Ting Sii Tien @ Yao Sik Tien is a director of Venture Delta Limited (“**VDL**”) and Grace Star Services Ltd. (“**GSS**”), both of which hold in aggregate 34.42% of the issued share capital of the Company. VDL and GSS are

wholly-owned subsidiaries of China Yuchai International Limited (“**CYI**”) which is a subsidiary of Hong Leong Asia Ltd. (“**HLA**”). CYI and HLA each has a deemed shareholding interest of 34.42% in the issued share capital of the Company;

- (ii) Mr Teo Tong Kooi is a director of CYI, and a director and the chief executive officer of HLA;
- (iii) Mr Ting Sii Tien @ Yao Sik Tien and Mr Teo Tong Kooi have direct shareholding interests in HLA;
- (iv) Mr Kartar Singh Thakral and Mr Inderbethyl Singh Thakral have deemed shareholding interests in the Company, and in Thakral Investments Limited, which has a direct shareholding interest of 7.44% and a deemed shareholding interest of 18.03% in the issued share capital of the Company; and
- (v) Mr Natarajan Subramaniam, Mr Lee Ying Cheun and Mr Jasvinder Singh Thakral have been granted options to subscribe for new Shares under the Thakral Corporation Employees’ Share Option Scheme.

Save as disclosed above, none of the Directors of the Company, nor, so far as the Directors of the Company are aware, the controlling shareholders of the Company have any interest, whether direct or indirect, in the Capital Reduction other than in their capacity as a shareholder of the Company.

5. OTHER INFORMATION

The Company has been informed that its shareholders, VDL and GSS, which hold in aggregate 34.42% of the issued share capital of the Company, and Mr Kartar Singh Thakral and Mr Inderbethyl Singh Thakral, who each have a deemed shareholding interest of 25.48% in the Company, have entered into a Deed of Undertakings and Support dated 26 November 2009 to, *inter alia*, vote in favour of the all resolutions to sanction or approve the Capital Reduction at the EGM.

6. CIRCULAR TO SHAREHOLDERS

The Company will be sending a circular to shareholders providing further information on the Capital Reduction and Cash Distribution and enclosing the notice of the EGM in due course.

By Order of the Board

Kartar Singh Thakral
Chairman
1 December 2009
Singapore