

# CAPITAL REDUCTION

A way to reduce the company's paid-up capital, by either of the following methods:

- 1 Reducing par value.
- 2 Reducing the number of shares.

## Benefits of capital reduction

### For the Company

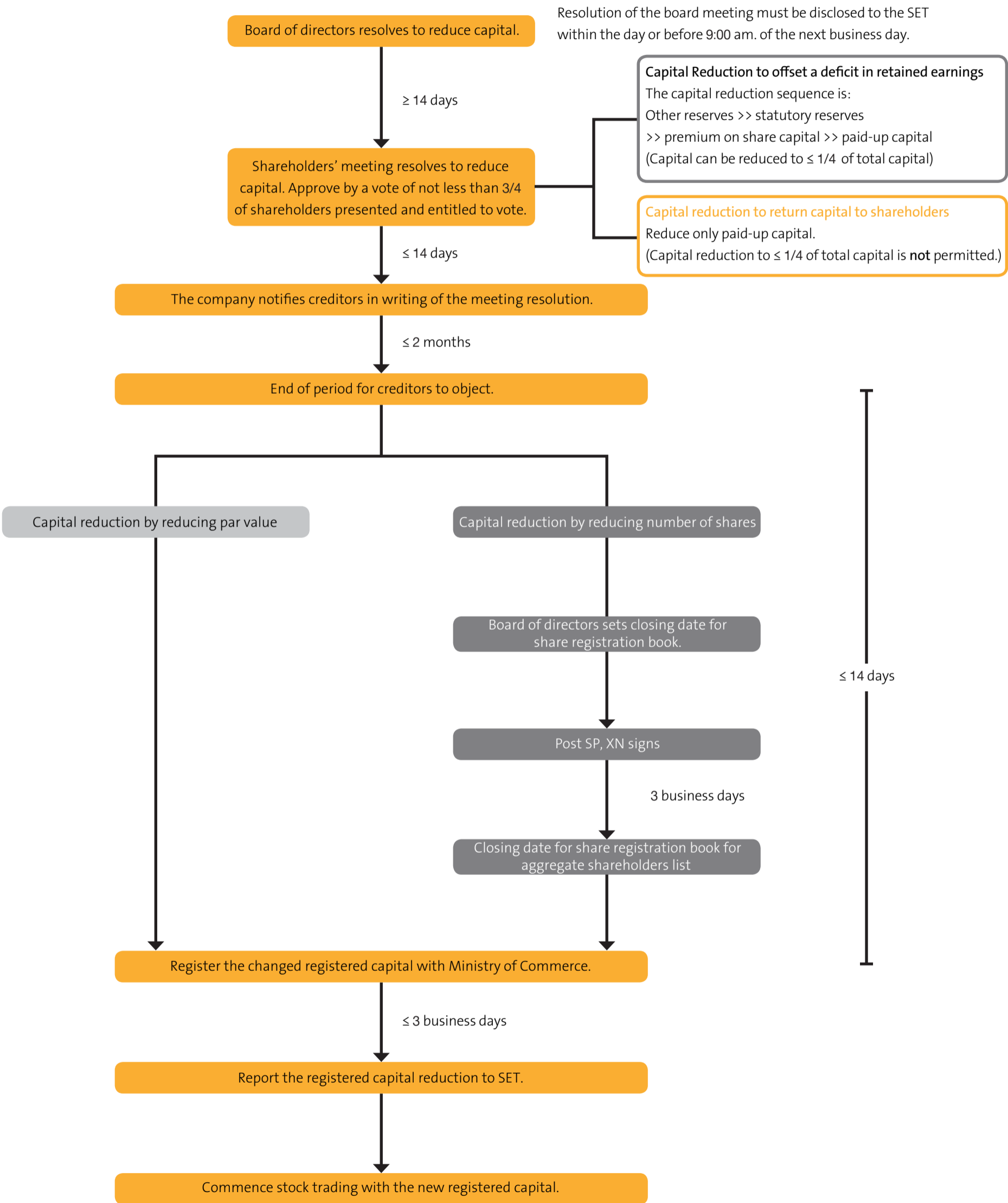
- Encourage efficiency of capital utilization, consequently improving financial ratios (e.g., ROE, ROA, total assets and turnover).
- Support future dividend payments if the company is experiencing accumulated losses. Capital reduction will compensate for the deficit in retained earnings, allowing the firm to pay dividends without waiting for future operating results.
- Support capital increases by new investors at a price that reflects business value.

### For Shareholders

- To have more opportunities to receive higher dividend payments in case the capital reduction is for the capital structure.
- Receive dividend payments sooner in case of capital reduction is conducted to eliminate a deficit in retained earnings.

According to regulatory requirements, creditors must be notified of the capital reduction in writing and their objection must be done within two months.

# Key Procedures



## Issues for consideration

---

- In case the company has retained earning, the capital reduction, is subject to taxation. As such, the amount of capital returned to its shareholders is considered taxable income.

---

- The company must notify its creditors, in written, notice of upcoming capital reduction by publishing in a newspaper within 14 days after the shareholders' resolution. Creditors have the rights to object to the capital reduction within two months from the date the notification received. If there is any objection, the company's capital reduction cannot be undertaken until debt payment or guarantee is made.

---

- The company may negotiate and/or make debt payments to creditors prior to undertaking the capital reduction process to prevent them from rejecting the reduction.

---

- The company may transfer stock premium or statutory reserves to eliminate deficits in retained earnings.

**Malee**<sup>®</sup> “In February 2012, the company's board of directors resolved to propose a capital reduction to the shareholders' meeting by reducing par value, to eliminate accumulated loss incurred from past operations.

The board viewed that shareholders would benefit from the capital reduction, as the company would be able to pay dividends sooner due to retained loss eliminated, or having to wait for future performance. As such, the company's financial structure wouldn't be affected. The company has YR2011 retained loss at THB 46 million it was offset by 2012 earning after the capital reduction, and was offset by 2012 earnings until we had a positive bottom line. Finally we were able to pay dividends at the end of 2012.

The capital reduction eliminated the company's constraint and allowed us to pay dividends, giving shareholders returns in addition to capital gain of our shares.”

Chatchai Boonyarat  
Chairman and CEO  
Malee Sampran PCL

---

### ฝ่ายพัฒนาบริษัทจดทะเบียน

Listed Company Development Department

e-mail : ListedCo@set.or.th

### Related laws / Regulations

- Public Limited Companies ACT B.E.2535 (1992)
- Thailand Civil and Commercial Code