

**PROPOSED CAPITAL REDUCTION AND CASH DISTRIBUTION**

**1. INTRODUCTION**

The board of directors (the “**Board**” or “**Directors**”) of Petra Foods Limited (the “**Company**”) wishes to announce a proposed capital reduction exercise (“**Capital Reduction**”) pursuant to Section 78G of the Companies Act (Chapter 50 of Singapore) (“**Companies Act**”), which will involve a cash distribution (“**Cash Distribution**”) by the Company to its shareholders (“**Shareholders**”) amounting to an aggregate of US\$60,000,000. Based on the number of 611,157,000 shares in issue, this is equivalent to 9.82 US cents in cash for each issued and fully paid up ordinary share in the capital of the Company (each, a “**Share**”) held by a Shareholder as at a books closure date (“**Books Closure Date**”) to be determined by the Board. The Capital Reduction is subject to, *inter alia*, the approval of the Shareholders and the High Court of the Republic of Singapore (“**High Court**”).

**2. THE PROPOSED CAPITAL REDUCTION**

**2.1 The Capital Reduction and Cash Distribution.** The Company is proposing to return 9.82 US cents in cash for each Share held by Shareholders (including Shareholders who hold odd lots of Shares) or on their behalf as at the Books Closure Date. Based on the issued and paid-up share capital of the Company of approximately S\$611,157,000 comprising 611,157,000 Shares, an aggregate amount of US\$60,000,000 will be returned to Shareholders pursuant to the Capital Reduction.

In determining the level of capital to be returned to Shareholders, the Company has ensured that it retains sufficient capital reserves to support its existing operations.

**The Capital Reduction will not result in (a) a cancellation of Shares, or (b) a change in the number of Shares held by Shareholders, or (c) a change in the proportion of Shares held by Shareholders, immediately after the Capital Reduction and Cash Distribution.**

**2.2 Illustration.** The following illustrates the position of a Shareholder who holds 100 Shares as at the Books Closure Date:

	<b>Shareholder with 100 Shares</b>
<u>Position pre-Capital Reduction</u>	
Shares currently held	100
<u>Position post-Capital Reduction</u>	
Cash Distribution received (US\$)	9.82
Shares held post-Capital Reduction	100

In summary, Shareholders (including Shareholders who hold odd lots of Shares) will receive a Cash Distribution of US\$9.82 for every 100 Shares or such sum based on 9.82 US cents for each Share held as at the Books Closure Date, while maintaining the same proportionate shareholding in the Company.

The Cash Distribution will be paid in Singapore dollars and the Cash Distribution in US dollars will be converted into Singapore dollars at an exchange rate to be determined by the

Directors on the basis of the prevailing US dollars-Singapore dollars conversion rate on Books Closure Date (the "Applicable Exchange Rate"). The Applicable Exchange Rate, when so determined by the Company, will be announced by way of a subsequent announcement on the SGXNET.

### **3. RATIONALE**

In July 2013, the Company announced the completion of the disposal of its entire Cocoa Ingredients business to Barry Callebaut AG and Barry Callebaut Belgium N.A. ("Disposal"). Since the completion of the Disposal, the Board had undertaken an extensive evaluation of the Company's business strategy and the Group's capital needs in order to achieve our long-term growth objectives as a regional chocolate confectionery group. As an integral part of the process, a review of the Company's capital structure and financial position in the context of its business strategy was also undertaken. It was determined that the Company's paid-up capital and cash position was in excess of its immediate requirements.

The plan to address this was subsequently deferred owing to the dispute and resulting arbitration with Barry Callebaut. As announced on 21 October 2013, the dispute had arisen in relation to the US\$103.0 million sought by Barry Callebaut as a closing pricing adjustment.

On 28 August 2015, the Company announced that this dispute had been amicably settled. Under the settlement, the Company and Barry Callebaut agreed, among other things, to fully and finally settle the dispute and discontinue the arbitration, without any admission of liability by the Company or Barry Callebaut. As part of the settlement, the Company paid a sum of US\$38.8 million as an adjustment to the closing price and in consideration of full and final settlement of all claims.

Now that the claim has been settled and the purchase price has been finalised, the Board has again reviewed the needs of the Company for cash and has considered the various capital expenditure and investment opportunities available to the Group. The Board has concluded that the cash reserves available to the Company and the paid-up capital are in excess of the medium term needs of the Company.

Given the Company's present capital structure and lack of distributable reserves, the most efficient way to return this cash to Shareholders is via the Court sanctioned Capital Reduction.

The proposed Capital Reduction and Cash Distribution, therefore, represent cash in excess of the medium term requirements of the Company and in determining the amounts to be returned to Shareholders, the Company believes that the remaining cash will be sufficient for its business. Of the Company's cash balance of US\$111,654,000 at end-2015, US\$51,654,000 will be retained for its operations, after the proposed Cash Distribution of US\$60,000,000.

After the proposed Capital Reduction and Cash Distribution, the Company believes its remaining cash balances and continued cash flow generated from its operations and financial resources will be able to support its foreseeable near term investments and operational needs.

In addition, the proposed Capital Reduction would allow the Company to achieve a more efficient capital structure and effect a substantial cash distribution to be made to Shareholders, while enabling each Shareholder to maintain the same proportionate shareholding in the Company.

#### 4. FINANCIAL EFFECTS

The pro forma financial effects of the Capital Reduction and Cash Distribution are set out in the Appendix to this Announcement. The pro forma financial effects are for illustrative purposes only and do not reflect the actual financial position of the Group after the Capital Reduction and Cash Distribution.

#### 5. CONDITIONS

The Capital Reduction and Cash Distribution is subject to, *inter alia*, the following:

- (a) the clearance of the Singapore Exchange Securities Trading Limited for the issue of the Circular (as defined below);
- (b) the approval of the Shareholders by way of a special resolution for the Capital Reduction at an extraordinary general meeting to be convened (“EGM”);
- (c) the approval of the High Court for the Capital Reduction; and
- (d) all other relevant approvals and consents being obtained.

On the lodgment of the copy of the Order of Court confirming the Capital Reduction, together with the other documents as prescribed under the Companies Act, with the Accounting and Corporate Regulatory Authority of Singapore, the Capital Reduction will take effect, and the Cash Distribution will be made thereafter.

#### 6. FURTHER INFORMATION

A circular containing further details of the Capital Reduction and Cash Distribution (the “Circular”) for the purposes of seeking Shareholders’ approval at the EGM will be despatched to Shareholders in due course.

BY ORDER OF THE BOARD

Chuang Yok Hoa/Raymond Lam Kuo Wei  
Company Secretary  
22 February 2016

## APPENDIX

### PRO FORMA FINANCIAL EFFECTS OF THE CAPITAL REDUCTION AND CASH DISTRIBUTION

1. **Assumptions.** The pro forma financial effects of the Capital Reduction and the Cash Distribution have been prepared based on the unaudited consolidated financial statements of the Company and the Group for 12 months ending 31 December 2015. The pro forma financial effects are purely for illustration purposes only and do not reflect the actual financial position of the Company and the Group after the Capital Reduction and Cash Distribution.

The following assumptions have been made for the purposes of illustrating the financial effects of the Capital Reduction:

- (a) an appropriation of 9.82 US cents per Share from the paid-up share capital of the Company; and
- (b) the total number of Shares of 611,157,000 Shares in issue.

### 2. Share Capital / Earnings Per Share

The Capital Reduction will have no impact on the number of Shares held by Shareholders.

The pro forma effect of the Capital Reduction and Cash Distribution on the share capital of the Company as at 31 December 2015 will be a reduction of the paid-up share capital from US\$155,951,000 to US\$95,951,000.

### 3. Gross Gearing

The pro forma effects of the Capital Reduction, taking into consideration the application of the Company's end-2015 cash balance of US\$111,654,000 to pay the Cash Distribution, on the gross gearing of the Group and Company as at 31 December 2015 are as follows:

	<u>Group</u>		<u>Company</u>	
	As at 31 December 2015	Pro forma after Capital Reduction	As at 31 December 2015	Pro forma after Capital Reduction
(US\$'000)				
Bank borrowings	74,652	74,652	336	336
Shareholders' funds	242,034	182,034	156,266	96,266
Gross gearing (times)	0.31	0.41	NM	NM

#### 4. Shareholders' Funds

The pro forma effects of the Capital Reduction and Cash Distribution on the shareholders' funds of the Group and the Company as at 31 December 2015 are as follows:

(US\$'000)	<u>Group</u>		<u>Company</u>	
	As at 31 December 2015	Pro forma after Capital Reduction	As at 31 December 2015	Pro forma after Capital Reduction
Share Capital	155,951	95,951	155,951	95,951
Retained Earnings	145,904	145,904	315	315
Other Reserves	(59,821)	(59,821)	-	-
Shareholders' Funds	242,034	182,034	156,266	96,266

#### 5. Net Tangible Assets ("NTA")

The pro forma effects of the Capital Reduction on the net tangible assets of the Group and the Company as at 31 December 2015 are as follows:

(US\$'000)	<u>Group</u>		<u>Company</u>	
	As at 31 December 2015	Pro forma after Capital Reduction	As at 31 December 2015	Pro forma after Capital Reduction
NTA	237,344	177,344	151,653	91,653
Number of issued and paid-up Shares ('000)	611,157	611,157	611,157	611,157
NTA per Share (US\$)	38.8	29.0	24.8	15.0