

**F J Benjamin Holdings Ltd**  
(Incorporated in the Republic of Singapore)  
(Company Registration No. 197301125N)

## **ANNOUNCEMENT**

### **PROPOSED CAPITAL REDUCTION**

#### **1. INTRODUCTION**

The Board of Directors of F J Benjamin Holdings Ltd (the "**Company**") wishes to announce a proposed capital reduction exercise (the "**Capital Reduction**") pursuant to Section 78G of the Companies Act (Chapter 50 of Singapore) (the "**Companies Act**"), to effect a cash distribution by the Company to shareholders of the Company ("**Shareholders**") of S\$0.13 for each ordinary share in the capital of the Company (each, a "**Share**") held as at a books closure date to be determined by the Directors of the Company (the "**Books Closure Date**").

#### **2. THE CAPITAL REDUCTION**

##### **2.1 The Capital Reduction**

The Capital Reduction will involve reducing the share capital of the Company by the sum of up to S\$74.0 million and such reduction will be effected by returning to Shareholders S\$0.13 in cash (the "**Cash Distribution**") for each Share held by or on their behalf as at the Books Closure Date pursuant to the Capital Reduction.

**The Capital Reduction will not result in a cancellation of Shares, or a change in the number of Shares, held by Shareholders immediately after the Capital Reduction.**

Based on an issued and paid-up share capital of the Company of approximately S\$239.4 million comprising approximately 568.7 million Shares as at the Books Closure Date, an aggregate amount of approximately S\$74.0 million will be returned to Shareholders pursuant to the Capital Reduction. The actual amount to be returned to Shareholders pursuant to the Capital Reduction will be based on the issued and paid-up share capital of the Company as at the Books Closure Date.

The aggregate amount of Cash Distribution to be paid to each Shareholder pursuant to the Capital Reduction will be adjusted by rounding down any fractions of a cent to the nearest cent, where applicable.

##### **2.2 Funds for the Capital Reduction**

The Capital Reduction will be financed from funds generated from the conversion of the warrants (the "**Warrants**") issued by the Company which expired on 16 July 2007. The Directors are of the opinion that given the current operating performance of the Group and low gearing level of the Group, the Cash Distribution of approximately S\$74.0 million to be returned to the Shareholders pursuant to the Capital Reduction is in excess of the needs of the Company and that the financial resources available following the Capital Reduction will be sufficient for the foreseeable near-term operating and investment needs of the Company.

### 2.3 Illustration

The following illustrates the position of a Shareholder who holds 1,000 Shares as at the Books Closure Date:

#### **Shareholder with 1,000 Shares**

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##### **Position pre-Capital Reduction**

Shares currently held	1,000
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##### **Position post-Capital Reduction**

Cash Distribution received (S\$)	130
Shares held post-Capital Reduction	1,000

In summary, Shareholders will receive a Cash Distribution of S\$130 for every 1,000 Shares held as at the Books Closure Date, while maintaining the same proportionate shareholding in the Company.

### 3. RATIONALE FOR THE CAPITAL REDUCTION

The Directors are of the view that the Capital Reduction is in the best interests of the Company and its subsidiary and associated companies (the "**Group**") as it will allow the Company to achieve a more efficient capital structure. In addition, the Capital Reduction is to reward Shareholders for their continued support of the Company. The Capital Reduction will reduce the adjusted shareholders' funds as 30 June 2007 from approximately S\$218.6 million to S\$144.6 million. This reduction will result in a higher return on equity. The proforma return on equity of the Group will improve from 9.82% before the Capital Reduction to 14.85% after the Capital Reduction, based on the unaudited financial statements of the Group as at 30 June 2007, adjusted for approximately 44.7 million new Shares issued pursuant to the exercise of Warrants on or prior to 16 July 2007. The Capital Reduction allows a substantial cash distribution to be made to Shareholders.

The Company has determined that, taking account of the reserves available to the Company in the form of cash, the investible funds and the ongoing cash flow generated by its operating business and the current operating performance of the Group, the current level of capital held by the Company is in surplus to its requirements. 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 business and to allow flexibility to pursue appropriate business opportunities, should such opportunities arise in the future.

### 4. FINANCIAL EFFECTS OF THE CAPITAL REDUCTION

For illustrative purposes, only assuming the Capital Reduction was implemented on 30 June 2007, the financial effects of the Capital Reduction are set out below.

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

- (a) an appropriation of S\$0.13 per Share from the share capital of the Company; and
- (b) adjustments have been made for the exercise of Warrants between 1 July 2007 and 16 July 2007, being the date of expiry of the Warrants.

#### 4.1 Share Capital

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

The proforma effect of the Capital Reduction on the share capital of the Company as at 30 June 2007, based on the unaudited financial statements of the Company as at 30 June 2007, adjusted for approximately 44.7 million new Shares issued pursuant to the exercise of Warrants on or prior to 16 July 2007, will be a reduction of the issued and paid-up share capital from S\$239.4 million to S\$165.4 million.

#### 4.2 Shareholders' Funds

The proforma effects of the Capital Reduction on the shareholders' funds of the Group and the Company as at 30 June 2007 based on the unaudited financial statements of the Group and Company as at 30 June 2007, adjusted for approximately 44.7 million new Shares issued pursuant to the exercise of Warrants on or prior to 16 July 2007, are as follows:

(S\$'000)	GROUP			COMPANY		
	As at 30 June 2007	Adjusted before Capital Reduction	Proforma after Capital Reduction	As at 30 June 2007	Adjusted before Capital Reduction	Proforma after Capital Reduction
Share capital	215,134	239,379	165,379	215,134	239,379	165,379
Other reserves	(6,423)	(10,548)	(10,548)	4,125	-	-
Retained profits	(10,221)	(10,221)	(10,221)	(1,023)	(1,023)	(1,023)
<b>Shareholders' funds</b>	<b>198,490</b>	<b>218,610</b>	<b>144,610</b>	<b>218,236</b>	<b>238,356</b>	<b>164,356</b>

#### 4.3 Net Assets

The proforma effects of the Capital Reduction on the net assets of the Group as at 30 June 2007 based on the unaudited financial statements of the Group as at 30 June 2007, adjusted for approximately 44.7 million new Shares issued pursuant to the exercise of Warrants on or prior to 16 July 2007, are as follows:

	GROUP		
	As at 30 June 2007	Adjusted before Capital Reduction	Proforma after Capital Reduction
Net assets (S\$'000)	198,614	218,734	144,734
Number of issued and paid-up Shares	523,998,000	568,709,857	568,709,857
Net assets per Share (cents)	37.90	38.46	25.45

#### 4.4 Net Gearing

The proforma effects of the Capital Reduction on the net gearing of the Group as at 30 June 2007 based on the unaudited financial statements of the Group as at 30 June 2007, adjusted for approximately 44.7 million new Shares issued pursuant to the exercise of Warrants on or prior to 16 July 2007, are as follows:

	GROUP		
	As at 30 June 2007	Adjusted before Capital Reduction	Proforma after Capital Reduction
Gross borrowings (S\$'000)	35,284	35,284	35,284
Bank balances, fixed deposits and cash (S\$'000)	96,130	116,250	42,250
Net borrowings / (net cash) (S\$'000)	(60,846)	(80,966)	(6,966)
Shareholders' funds (S\$'000)	198,490	218,610	144,610
Net Gearing (%)	n.a.	n.a.	n.a.

## 5. APPROVALS

### 5.1 Conditions

The Capital Reduction is subject to, *inter alia*:

- (a) the approval of the Shareholders by way of a special resolution for the Capital Reduction at an extraordinary general meeting of shareholders (the "**EGM**") to be convened;
- (b) the approval of the High Court of Singapore for the Capital Reduction; and
- (c) all other relevant approvals and consents being obtained.

### 5.2 Regulatory Approvals

An application will be made by the Company to obtain the approval of the Singapore Exchange Securities Trading Limited for the Capital Reduction.

### 5.3 Order of Court

An office copy of the Order of Court approving the Capital Reduction and other documents prescribed by the Companies Act will subsequently be lodged with the Accounting and Corporate Regulatory Authority of Singapore ("**ACRA**").

### 5.4 Payment Date

On the lodgement of the office copy of the Order of Court confirming the Capital Reduction together with the other documents prescribed under the Companies Act with ACRA, the special resolution for the Capital Reduction will take effect, and the Cash Distribution will be made thereafter. Subject to the conditions above being satisfied, it is currently expected that the Cash Distribution will be paid to the Shareholders tentatively by 31 December 2007.

**6. GENERAL**

A circular containing further details of the Capital Reduction and convening the EGM for the purpose of seeking shareholders' approval will be despatched to Shareholders in due course.

**BY ORDER OF THE BOARD**

Karen Chong Mee Keng  
Dilhan Pillay Sandrasegara  
Joint Company Secretaries on 23 August 2007 to the SGX