

# Corporate Restructuring

## When Accumulated Losses Threaten the Business

*Accumulated losses are not the end of the road, but they are a signal that demands prompt action. The longer a company waits, the fewer options remain and the higher the cost of recovery.*

### What Are Accumulated Losses?

Accumulated losses appear as a negative figure under shareholders' equity in the balance sheet. They arise when cumulative losses exceed retained earnings and share premium, reducing or eliminating a company's net equity.

### Key Consequences

- ▶ **Legal duty:** Directors must act once equity falls below half of registered capital.
- ▶ **SET/MAI listing:** Equity below 50% of paid-up capital triggers a C-sign and potential delisting review.
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- ▶ **Dividends:** No dividends may be declared until accumulated losses are cleared.

### Listed Companies — Extra Layer

- ▶ **C-sign threshold:** A recovery plan must be filed with SET promptly.
- ▶ **Disclosure:** Material restructuring steps must be reported to SET immediately.
- ▶ **SEC approval:** Capital increases and debt-to-equity conversions require an EGM and, in some cases, SEC consent.
- ▶ **IFA requirement:** Transactions with potential conflicts of interest require an Independent Financial Adviser.



Early advice opens the most options. MSC's team assists with structuring, regulatory compliance, and transaction execution across every stage of the process.

### Restructuring Options

#### 1. Capital Reduction

Reduce par value or number of shares to offset accumulated losses. The deficit is erased from the balance sheet, allowing the company to build retained earnings again. Requires shareholder approval ( $\frac{3}{4}$  majority for a private company;  $\frac{2}{3}$  for a public company), creditor notification, and DBD registration.

#### 2. Capital Reduction & Re-Issuance

Combine a capital reduction with a fresh share issuance to simultaneously clear losses and inject liquidity. A common variant is a Debt-to-Equity Conversion, where creditors accept shares in settlement of debt, reducing interest burden and improving the D/E ratio. Existing shareholders may be diluted.

#### 3. Group Restructuring

Where multiple business lines exist, ring-fence the healthy operations: a Hive-Down transfers core business to a clean subsidiary; a Spin-Off creates a separate entity; non-core asset disposals generate cash to service debt.

#### 4. Formal Rehabilitation

Where out-of-court solutions are not viable, Thai Bankruptcy Law (Section 90/3) provides a court-supervised rehabilitation process with a court-appointed plan administrator. A faster, more flexible out-of-court restructuring remains available where creditor consensus can be achieved.

#### Choose the right tool

Cash-flow positive → Capital reduction  
 High debt → Reduce + re-issue + swap  
 Liquidity crisis → Out-of-court workout  
 Insolvent → Court rehabilitation