



BREADTALK GROUP LIMITED
(Company No.: 200302045G)
(Incorporated in the Republic of Singapore)

**PROPOSED ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF FOOD JUNCTION
MANAGEMENT PTE LTD**

1. INTRODUCTION

The Board of Directors (the “**Board**”) of BreadTalk Group Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) wishes to announce that its wholly-owned subsidiary, Topwin Investment Holding Pte Ltd (“**Topwin**” or “**Purchaser**”) had, on 30 August 2019, entered into a Sale and Purchase Agreement (“**SPA**”) for the proposed acquisition (“**Proposed Acquisition**”) of the entire issued share capital of Food Junction Management Pte Ltd (“**FJM**” or “**Target**”) from Food Junction Holdings Limited (“**FJH**” or “**Vendor**”).

If the Proposed Acquisition is successfully completed, FJM will become a wholly-owned subsidiary of Topwin. Accordingly, the Company is making this announcement pursuant to Rules 704(19) and 1014 of the Singapore Exchange Securities Trading Limited’s (the “**SGX-ST**”) Listing Manual (the “**Listing Manual**”).

2. INFORMATION ON FJM AND RATIONALE FOR THE PROPOSED ACQUISITION

FJM and its wholly-owned subsidiaries Food Junction Singapore Pte Ltd and T&W Food Junction Sdn Bhd (collectively, “**Target Group**”) are in the business of operating food courts and food and beverage (“**F&B**”) outlets in Singapore and Malaysia. The Target Group operates a network of 12 food courts in Singapore and three (3) in Malaysia, with an additional one scheduled to open in 2020 at The Mall, Mid Valley Southkey.

Founded as a bakery brand in Singapore in 2000 and listed on the SGX-ST in 2003, the Group has rapidly expanded to become an award-winning food and beverage group that has established its mark on the world stage with its bakery, restaurant, food atrium and 4th food concepts. With close to 1,000 retail stores spread across sixteen (16) countries, its brand portfolio comprises direct-owned brands such as BreadTalk, Toast Box, Food Republic, Bread Society, Thye Moh Chan, The Icing Room and partner brands such as Din Tai Fung, Nayuki (奈雪), TaiGai (台盖), Sō Ramen, Song Fa Bak Kut Teh and Wu Pao Chun Bakery.

As part of its F&B operations, the Group operates food courts under the Food Republic and Food Opera brands in Singapore, Malaysia, People’s Republic of China, Hong Kong, Taiwan, Cambodia and Thailand. As at 30 June 2019, the Group operates 14 food courts in Singapore and 2 food courts in Malaysia.

The Proposed Acquisition will provide the Group with access to FJM’s existing network of food courts and F&B outlets, allowing the Group to both obtain additional revenue streams and benefit from the synergies with the Group’s existing food court and F&B outlet business through the streamlining of costs and sharing of resources. Accordingly, the Proposed Acquisition is not considered to be a diversification of the Group’s business.

3. INFORMATION ON THE VENDOR

The Vendor is an investment holding company that is 98.10% owned by Auric Pacific Group Limited (“**APGL**”), a Singapore incorporated investment holding company involved in a diverse range of businesses, which include food manufacturing and retailing, restaurants as well as food court management.

Lippo Limited (“**Lippo**”), through Lippo’s wholly-owned subsidiaries and non-wholly owned subsidiaries holds 74.99% of Lippo China Resources Limited (“**LCR**”). In turn, LCR, through its wholly-owned subsidiaries and non-wholly owned subsidiaries, holds 50.3% of APGL. The remaining 49.7% of APGL is held by the chairman and executive director of Lippo and LCR, Dr. Stephen Riady, and his son-in-law, Dr. Andy Adhiwana through companies owned by each of them respectively.

The Vendor is not related to the Group, and none of the Directors, the Company’s substantial shareholders and/or their respective associates has any interests (direct or indirect) in the Vendor.

4. PRINCIPAL TERMS OF THE PROPOSED ACQUISITION

4.1 Consideration

The total consideration for the acquisition of 1,489,000 ordinary shares of the Target (being the entire issued share capital) (“**Target Shares**”) pursuant to the Proposed Acquisition is S\$80,000,000 (the “**Consideration**”), with such Consideration being subject to further customary adjustments to take into account actual cash, debt and working capital of the Target as at completion of the Proposed Acquisition (“**Completion**”), among other factors.

The Consideration was arrived at after arms’ length negotiations, on a willing-buyer, willing-seller basis, and took into consideration factors such as the quality of the assets being acquired, the strategic value of FJM’s existing network of food courts and F&B outlets to the Group, the financials of the Target Group from year-to-date, the earnings quality and future potential of the Target Group, amongst others.

The Consideration will be paid in cash and will be funded through the Group’s internal resources (including available cash on hand) and debt facilities.

4.2 Entry into Transaction Documents

The Purchaser and the Vendor have entered into a detailed legally binding SPA and ancillary transaction documents, including but not limited to an intellectual property rights assignment agreement entered into by the Group’s wholly-owned subsidiary, BTG Vault Pte. Ltd. with APGL for the acquisition and assignment of various trademarks and domain names used, or applied for, in connection with the business of the Target Group (collectively, the “**Transaction Documents**”).

4.3 Conditions

The Proposed Acquisition is conditional upon, amongst others, the satisfaction of certain conditions including the following:

- (a) the Purchaser obtaining shareholders’ approval in respect of the Proposed Acquisition and such approval remaining in full force and effect as at Completion (if required);
- (b) the obtaining of the relevant shareholders’ approval of both LCR and Lippo, both of which are listed on the Stock Exchange of Hong Kong Stock Limited, and such approvals remaining in full force and effect as at Completion;
- (c) there being no decree, determination, injunction, judgement or other order entered or issued by any court or governmental authority (including any stock exchange) of competent jurisdiction which has the effect of restraining or otherwise prohibiting consummation of the Proposed Acquisition and which remains in force and effect as at the Completion Date.

4.4 Completion

Completion of the Proposed Acquisition shall take place at the offices of the Vendor’s solicitors after the conditions have been satisfied or waived. In the event that the conditions are satisfied

or waived on a date falling no later than the fifth last business day of a calendar month, Completion shall take place on the last Business Day of that month. If the conditions are satisfied or waived on a date falling later than the fifth last business day of a calendar month, Completion shall take place on the last Business Day of the immediately following calendar month.

5. **VALUATION OF AND NET PROFITS ATTRIBUTABLE TO THE TARGET SHARES**

5.1 **Net asset value of the Target Shares**

Based on the unaudited proforma combined financial statements of the Target Group as at 30 June 2019, the net asset value of the Target Group is approximately S\$12,341,745.

5.2 **Net profits attributable to the Target Shares**

Based on the unaudited proforma combined financial statements of the Target Group as at 30 June 2019, the net profits attributable to the Target Shares comprising the entire issued share capital of the Target is approximately S\$3,183.

6. **FINANCIAL EFFECTS**

The *pro forma* financial effects are presented for illustration purposes only and are not intended to reflect the actual future financial situation of the Company after the Proposed Acquisition. The pro forma financials of the Target Group are derived from the audited financial statements of the Target Group as at 31 December 2017 (“FY2017”) and 31 December 2018 (“FY2018”) adjusted for the elimination entries arising from business combination. The financials of the Company after the proposed acquisition are derived from the Company’s audited financial statements for FY2018 adjusted for business combination entries between the Target Group and the Company. Both Target Group’s and the Company’s financials for the 6-month financial period ending 30 June 2019 are unaudited.

6.1 **Net Tangible Assets**

Assuming that the Proposed Acquisition had been completed on 31 December 2018, the effect of the Proposed Acquisition on the Group’s net tangible assets (“NTA”) per share as at FY2018 will be as follows:

	Before the Proposed Acquisition	After the Proposed Acquisition⁽¹⁾
Net Asset (“NA”) of the Group attributable to shareholders of the Company (S\$’000)	162,736	162,887
NTA of the Group attributable to shareholders of the Company (S\$’000)	156,665	89,000
Number of shares (’000)	563,277	563,277
NA per share (cents)	28.89	28.92
NTA per share (cents)	27.81	15.80

Note:

- (1) The decrease in NTA is due to intangible assets acquired pursuant to the Proposed Acquisition. The finalised amount of intangible assets is to be determined via a purchase price allocation analysis after Completion.

6.2 Earnings Per Share

Assuming that the Proposed Acquisition had been completed on 1 January 2018, the effect of the Proposed Acquisition on the Group's earnings per share ("EPS") for FY2018 will be as follows:

	Before the Proposed Acquisition ⁽¹⁾	After the Proposed Acquisition ⁽²⁾
Net profit attributable to shareholders of the Company for FY2018 (S\$'000)	15,191	13,459
Weighted average number of shares ('000)	563,209	563,209
EPS (cents)	2.70	2.39

Notes:

- (1) Based on the Group annual report for FY2018.
- (2) This figure is based on the pro forma combined profit after tax ("PAT") of the Target Group for FY2018 and adjusted for an interest expense of S\$1.5 million, but excluding transaction fees, expenses and taxes which may arise pursuant to the Proposed Acquisition.

6.3 Gearing

Assuming that:

- (a) the Proposed Acquisition had been completed on 31 December 2018; and
- (b) a loan of S\$49.6 million was drawn down on 1 January 2018 to fund the Proposed Acquisition,

the effect of the Proposed Acquisition on the Group's gearing ratio of the Group for FY2018 will be as follows:

	Before the Proposed Acquisition	After the Proposed Acquisition ⁽²⁾
Net borrowings/(cash) ⁽¹⁾ (S\$'000)	40,960	114,435
Total Equity (S\$'000)	162,736	162,887
Gearing⁽³⁾ (times)	0.25	0.70

Notes:

- (1) Net borrowings mean total borrowings less cash and bank balances (including restricted cash in bank). Net cash means cash and bank balances are more than total borrowings.
- (2) Net borrowings will increase by approximately S\$73.5 million after the Proposed Acquisition due to an increase in loans amounting to S\$49.6 million and a pay out of S\$30.4 million in cash offset by an increase in cash from Target Group of approximately S\$6.5 million.
- (3) Gearing refers to the ratio of "Net borrowings/(cash)" to "Total equity".

7. RELATIVE FIGURES ON THE BASES SET OUT IN RULE 1006 OF THE LISTING MANUAL

The relative figures computed on the applicable bases under Rule 1006 of the Listing Manual are as follows:

Rule 1006	Bases	Relative Figures
Rule 1006(a)	Net asset value of the assets to be disposed of, compared with the Group's net asset value	Not applicable
Rule 1006(b)	Net profits attributable to the assets acquired, compared with the Group's net profits	3.34% ⁽¹⁾
Rule 1006(c)	Aggregate value of the consideration given, compared with the Company's market capitalisation based on the total number of issued shares excluding treasury shares	20.86% ⁽²⁾
Rule 1006(d)	Number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue	Not applicable
Rule 1006(e)	The aggregate volume or amount of proven and probable reserves to be disposed of, compared with the aggregate of the Group's proven and probable reserves	Not applicable

Notes:

- (1) Computed based on the pro forma aggregated unaudited profit before tax of the Target Group for the period ended 30 June 2019 and the Group consolidated unaudited income statement for the half year ended 30 June 2019.
- (2) Computed based on the proposed consideration of S\$80 million and the market capitalisation of the Company which was in turn computed based on 563,762,342 ordinary shares (excluding 24,134 treasury shares) and the volume weighted average price ("VWAP") on 29 August 2019, being S\$0.6803 for the market day preceding the signing of the SPA.

8. EGM AND CIRCULAR TO SHAREHOLDERS

Under Rule 1014 of the Listing Manual, the Company is required to obtain the approval from the shareholders of the Company ("**Shareholders**") in a general meeting ("**EGM**") if any of the relative figures under Rule 1006 of the Listing Manual exceeds 20%. As the relative figure under Rule 1006(c) exceeds 20% (as set out in paragraph 7 above), the Proposed Acquisition is conditional upon the approval of the Shareholders.

The Company will convene an EGM to seek the approval from its Shareholders for the Proposed Acquisition and a circular containing, *inter alia*, details thereof, together with the opinions and recommendations of the Directors in relation thereto and enclosing the notice of EGM in connection therewith, will be dispatched to the Shareholders in due course.

As at the date hereof, Dr. George Quek Meng Tong and Ms. Katherine Lee Lih Leng, holding 296,205,306 shares in the Company representing 52.54% of the issued shares in the capital of the Company, have provided irrevocable undertakings to vote all the shares held by them in favour of the resolution(s) to be tabled at the EGM to approve the Proposed Acquisition.

Similarly, Skyscraper Realty Limited and Lippo Capital Limited, being the substantial shareholders of LCR and Lippo respectively, have undertaken by way of a written shareholders' approval to approve the Proposed Acquisition.

9. CONSULTATION WITH THE COMPETITION AND CONSUMER COMMISSION OF SINGAPORE ("CCCS")

The Company will be making an application to the CCCS for a written ruling or decision that the Proposed Acquisition does not, if carried into effect, infringe Section 54 of the Competition Act, Chapter 50B of Singapore.

10. INTERESTS OF THE DIRECTORS AND CONTROLLING SHAREHOLDERS

As at the date hereof, none of the directors or controlling shareholders of the Company or their respective associates has any interest, direct or indirect, in the Proposed Acquisition, other than through their shareholdings in the Company.

11. SERVICE AGREEMENTS

No person is to be appointed to the Board of the Company in connection with the Proposed Acquisition. Accordingly, no service agreement is proposed to be entered into between the Company and any such person.

12. DOCUMENTS FOR INSPECTION

12.1 A copy of the SPA will be made available for inspection during normal business hours at the registered office of the Company for three (3) months from the date of this announcement.

12.2 The Company will update Shareholders on any material developments and will make such announcements as and when appropriate.

13. RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this announcement and confirm, after making all reasonable enquiries, that to the best of their knowledge and belief, this announcement constitutes full and true disclosure of all material facts about the Proposed Acquisition, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this announcement misleading. Where information in this announcement has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this announcement in its proper form and context.

14. CAUTIONARY STATEMENT

Shareholders should note that there is no certainty or assurance that the Proposed Acquisition will be completed or that no changes will be made to the terms thereof. The Company will make the necessary announcements when there are further developments on the Proposed Acquisition and other matters contemplated thereunder.

Shareholders and potential investors of the Company are advised to read this announcement and any further announcements by the Company carefully. Shareholders of the Company are advised to refrain from taking any action in respect of their securities in the Company which may be prejudicial to their interests, and to exercise caution when dealing in the securities of the Company. In the event of any doubt, shareholders of the Company should consult their stockbrokers, bank managers, solicitors, accountants or other professional advisers.

By Order of the Board

Shirley Tan Sey Liy
Company Secretary
2 September 2019