**CIRCULAR DATED 23 MARCH 2020**

**THIS CIRCULAR IS ISSUED BY BREADTALK GROUP LIMITED (THE "COMPANY"). THIS CIRCULAR IS IMPORTANT AS IT CONTAINS THE RECOMMENDATION OF THE INDEPENDENT DIRECTORS (AS DEFINED HEREIN) AND THE ADVICE OF PRIMEPARTNERS CORPORATE FINANCE PTE. LTD. (AS THE INDEPENDENT FINANCIAL ADVISER TO THE INDEPENDENT DIRECTORS) TO THE INDEPENDENT DIRECTORS. THIS CIRCULAR REQUIRES YOUR IMMEDIATE ATTENTION. PLEASE READ IT CAREFULLY.**

If you are in any doubt in relation to this Circular or as to the action you should take, you should consult your stockbroker, bank manager, accountant, solicitor, tax adviser or other professional adviser immediately.

If you have sold or transferred all your Shares (as defined herein) held through CDP (as defined herein), you need not forward this Circular to the purchaser or the transferee, as arrangements will be made by CDP for a separate Circular to be sent to the purchaser or transferee. If you have sold or transferred all your Shares which are not deposited with CDP, you should immediately forward this Circular to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee.

This Circular has not been examined or approved by the Singapore Exchange Securities Trading Limited ("**SGX-ST**"). The SGX-ST assumes no responsibility for the contents of this Circular, including the correctness of any of the statements or opinions made or reports contained in this Circular.

# BREADTALK GROUP LIMITED

(Incorporated in Singapore)
(Company Registration No.: 200302045G)

**CIRCULAR TO SHAREHOLDERS**

in relation to the

**VOLUNTARY CONDITIONAL CASH OFFER**

by

## UNITED OVERSEAS BANK LIMITED

(Incorporated in Singapore)
(Company Registration No.: 193500026Z)

for and on behalf of

## BTG HOLDING COMPANY PTE. LTD.

(Incorporated in Singapore)
(Company Registration No.: 202003580M)

to acquire all the issued ordinary shares in the capital of the Company other than those already owned, controlled or agreed to be acquired by BTG Holding Company Pte. Ltd.

*Independent Financial Adviser to the Independent Directors of the Company*

## PRIMEPARTNERS CORPORATE FINANCE PTE. LTD.

(Incorporated in Singapore)
(Company Registration No.: 200207389D)

**SHAREHOLDERS SHOULD NOTE THAT THE OFFER DOCUMENT (AS DEFINED HEREIN) STATES THAT ACCEPTANCES MUST BE RECEIVED BY THE CLOSE OF THE OFFER AT 5.30 P.M. (SINGAPORE TIME) ON 6 APRIL 2020 OR SUCH LATER DATE(S) AS MAY BE ANNOUNCED FROM TIME TO TIME BY OR ON BEHALF OF THE OFFEROR (AS DEFINED HEREIN).**

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## DEFINITIONS

Except where the context otherwise requires, the following definitions apply throughout this Circular:

**GENERAL**

| | | |
|---|---|---|
| "*Acceptance Condition*" | : | Shall have the meaning ascribed to it in **Section 2.2** of this Circular |
| "*Accepting Shareholder*" | : | A Shareholder who tenders his Shares in acceptance of the Offer |
| "*Board*" | : | Board of Directors of the Company |
| "*BreadTalk RSG Plans*" | : | Shall have the meaning ascribed to it in **Section 2.1(b)(ii)** of this Circular |
| "*BTG Awards*" | : | Shall have the meaning ascribed to it in **Section 2.1(b)(ii)** of this Circular |
| "*Business Day*" | : | A day (other than Saturday, a Sunday or a gazetted public holiday) on which commercial banks are open for business in Singapore |
| "*Business Times Reports*" | : | Business Times articles dated 25 October 2019 titled "BreadTalk's aim for 8% profit margin by 2022 won't be a walk in the park" and "BreadTalk eyes margin boost, targets S$1b market cap" |
| "*Circular*" | : | This circular to Shareholders dated 23 March 2020 in relation to the Offer enclosing, *inter alia*, the IFA Letter |
| "*Closing Date*" | : | 5.30 p.m. (Singapore time) on 6 April 2020 or such later date(s) as may be announced from time to time by or on behalf of the Offeror, such date being the last day for the lodgement of acceptances of the Offer |
| "*CNBC Interview*" | : | CNBC interview dated 1 February 2019 with GQ and the Group chief executive officer at the time, Mr. Henry Chu, the transcript of which can be accessed at <https://www.cnbc.com/2019/02/01/.html> |
| "*Co-Founders*" | : | GQ, KL and Square |
| "*Code*" | : | The Singapore Code on Take-overs and Mergers |
| "*Companies Act*" | : | The Companies Act, Chapter 50 of Singapore |

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| "*Company Securities*" | : | (a) Shares;<br>(b) other securities which carry voting rights in the Company; and<br>(c) convertible securities, warrants, options and derivatives in respect of the Shares or securities which carry voting rights in the Company |
| "*Consortium*" | : | The consortium formed by the Consortium Members pursuant to the shareholders' agreement entered into among the Consortium Members |
| "*Consortium Members*" | : | The Co-Founders, Piece, Primacy and Minor BT |
| "*Constitution*" | : | The constitution of the Company |
| "*CPF Agent Banks*" | : | Agent banks included under the CPFIS |
| "*CPFIS*" | : | Central Provident Fund Investment Scheme |
| "*CPFIS Investors*" | : | Investors who have purchased Shares using their CPF contributions pursuant to the CPFIS |
| "*Despatch Date*" | : | 9 March 2020, being the date of despatch of the Offer Document |
| "*Directors*" | : | The directors of the Company as at the Latest Practicable Date, namely, GQ, KL, Mr. Ong Kian Min, Mr. Chan Soo Sen, Dr. Tan Khee Giap and Mr. Soh Chin Hua, and "*Director*" means any one of them |
| "*Distributions*" | : | In respect of the Offer Shares, all dividends, rights, other distributions and/or return of capital |
| "*Encumbrances*" | : | Any claim, charge, lien, pledge, mortgage, encumbrance, declaration of trust, hypothecation, retention of title, power of sale, equity, option, right of pre-emption, right of first refusal, moratorium or other third party right or interest of any nature whatsoever |
| *"FAA"* | : | Form of Acceptance and Authorisation for Offer Shares, which forms part of the Offer Document and which is issued to Shareholders whose Offer Shares are deposited with CDP |

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| *"FAT"* | : | Form of Acceptance and Transfer for Offer Shares, which forms part of the Offer Document and which is issued to Shareholders whose Offer Shares are registered in their own names in the Register and are not deposited with CDP |
| "*Final Day Rule*" | : | Shall have the meaning ascribed to it in **Section 2.6(d)** of this Circular |
| "*FY*" | : | Financial year ended or ending on (as the case may be) 31 December of a particular year as stated |
| "*FY2019 Results*" | : | The unaudited consolidated financial results of the Group in respect of FY2019 which were released by the Company on SGXNET on 24 February 2020, which are reproduced in **Appendix V** of this Circular. |
| "*GQ*" | : | Dr. George Quek Meng Tong |
| "*IFA Letter*" | : | The letter dated 23 March 2020 from the IFA to the Independent Directors in respect of the Offer, as set out in **Appendix I** to this Circular |
| "*Independent Directors*" | : | The Directors who are considered to be independent for the purposes of the Offer under the Code, namely, Mr. Ong Kian Min, Mr. Chan Soo Sen and Dr. Tan Khee Giap |
| "*Interested Person*" | : | As defined in the Note on Rule 24.6 of the Code and read with the Note on Rule 23.12 of the Code, an interested person, in relation to a company, is:<br><br>(a) a director, chief executive officer, or Substantial Shareholder of the company;<br><br>(b) the immediate family of a director, the chief executive officer, or a Substantial Shareholder (being an individual) of the company;<br><br>(c) the trustees, acting in their capacity as such trustees, of any trust of which a director, the chief executive officer or a Substantial Shareholder (being an individual) and his immediate family is a beneficiary;<br><br>(d) any company in which a director, the chief executive officer or a Substantial Shareholder (being an individual) together and his immediate family together (directly or indirectly) have an interest of 30% or more; |

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| | | (e) any company that is the subsidiary, holding company or fellow subsidiary of the Substantial Shareholder (being a company); or |
| | | (f) any company in which a Substantial Shareholder (being a company) and any of the companies listed in (e) above together (directly or indirectly) have an interest of 30% or more |
| "*KL*" | : | Ms. Katherine Lee Lih Leng |
| "*Latest Practicable Date*" | : | 13 March 2020, being the latest practicable date prior to the printing of this Circular, save that where parts of the Offer Document (including the letter from UOB to the Shareholders in the Offer Document) are reproduced, references to the "Latest Practicable Date" in such reproduction shall mean the Offer Document LPD |
| "*Listing Manual*" | : | The listing manual of the SGX-ST |
| "*Market Day*" | : | A day on which the SGX-ST is open for trading of securities |
| "*Offer*" | : | The voluntary conditional cash offer by UOB, for and on behalf of the Offeror, to acquire all the Offer Shares on the terms and subject to the conditions set out in the Offer Document, the FAA and/or the FAT, as such offer may be amended, extended and revised from time to time by or on behalf of the Offeror |
| "*Offer Announcement*" | : | The announcement issued by UOB, for and on behalf of the Offeror, on the Offer Announcement Date in relation to the voluntary conditional cash offer for all the Offer Shares |
| "*Offer Announcement Date*" | : | 24 February 2020, being the date of the Offer Announcement |
| "*Offer Document*" | : | The offer document dated 9 March 2020, including the FAA and the FAT, issued by UOB, for and on behalf of the Offeror, in respect of the Offer, and any other document(s) which may be issued for and on behalf of the Offeror to amend, revise, supplement or update the document(s) from time to time |
| "*Offer Document LPD*" | : | 2 March 2020, stated in the Offer Document to be the latest practicable date prior to the printing of the Offer Document |
| "*Offer Price*" | : | S$0.77 in cash for each Offer Share |

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| "*Offer Shares*" | : | Shall have the meaning ascribed to it in **Section 1.1** of this Circular |
| "*Offer Unconditional Date*" | : | The date of which the Offer has become or is declared unconditional in all respects in accordance with its terms |
| "*Offeror Securities*" | : | (a) securities which carry voting rights in the Offeror; or (b) convertible securities, warrants, options or derivatives in respect of securities which carry voting rights in the Offeror |
| "*Overseas Shareholders*" | : | Shall have the meaning ascribed to it in **Section 13** of this Circular |
| "*Register*" | : | The register of holders of Shares, as maintained by the Share Registrar |
| "*Reinvestment Irrevocable Undertakings*" | : | Shall have the meaning ascribed to it in **Section 4** of this Circular |
| "*Reinvestment Undertaking Shareholders*" | : | The Co-Founders and Primacy |
| "*Relevant Company Directors*" | : | GQ, KL and Mr Soh Chin Hua |
| "*Rule 22.6 Period*" | : | Shall have the meaning ascribed to it in **Section 2.6(c)** of this Circular |
| "*Securities Account*" | : | The securities account maintained by a Depositor with CDP but does not include a securities sub-account |
| "*SFA*" | : | The Securities and Futures Act, Chapter 289 of Singapore |
| "*SGXNET*" | : | A system network used by listed companies to send information and announcements to the SGX-ST or any other system networks prescribed by the SGX-ST |
| "*Shareholders*" | : | Holders of Shares as indicated on the Register and Depositors who have Shares entered against their names in the Depository Register |
| "*Shares*" | : | Issued ordinary shares in the capital of the Company |
| "*Shut-Off Notice*" | : | Shall have the meaning ascribed to it in **Section 2.6(c)** of this Circular |
| "*SRS*" | : | Supplementary Retirement Scheme |

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| "*SRS Agent Banks*" | : | Agent banks included under the SRS |
| "*SRS Investors*" | : | Investors who have purchased Shares using their SRS contributions pursuant to the SRS |
| "*Subject Properties*" | : | The properties of the Group at the following locations:<br><br>(a) 30 Tai Seng Street, BreadTalk IHQ, Singapore 534013;<br><br>(b) Unit 1103 and 1105, Level 10, 89 Jianguo Road, Chaoyang District, Beijing;<br><br>(c) 22/22A Lorong Mambong, Singapore 277681; and<br><br>(d) Units 1601 to 1618, 158 Longqi Road, Shijiang District, Shanghai |
| "*Substantial Shareholder*" | : | A person who has an interest in not less than five per cent. (5%) of the total number of issued voting Shares |
| "*Valuation Reports*" | : | The valuation reports in respect of the Subject Properties |
| "*VWAP*" | : | Volume weighted average price |

*Units and currencies*

| | | |
|---|---|---|
| "*S$*" and "*cents*" | : | Singapore dollars and cents, respectively, being the lawful currency of Singapore |
| "*%*" or "*per cent.*" | : | Percentage or per centum |

**COMPANIES/ORGANISATIONS**

| | | |
|---|---|---|
| "*Auditor*" | : | Ernst & Young LLP |
| "*CDP*" | : | The Central Depository (Pte) Limited |
| "*Company*" or "*Offeree*" | : | BreadTalk Group Limited |
| "*CPF*" | : | Central Provident Fund |
| "*Group*" | : | The Company, its subsidiaries and associated companies |
| "*IFA*" or "*PPCF*" | : | PrimePartners Corporate Finance Pte. Ltd., the independent financial adviser to the Independent Directors in respect of the Offer |

| | | |
|---|---|---|
| "*Minor BT*" | : | Minor BT Holding (Singapore) Pte. Ltd. |
| "*Minor Food*" | : | The Minor Food Group Public Company Limited |
| "*Minor Food Singapore*" | : | Minor Food Group (Singapore) Pte. Ltd. |
| "*Minor International*" | : | Minor International PCL |
| "*Offeror*" | : | BTG Holding Company Pte. Ltd. |
| "*Piece*" | : | Piece Investment Pte. Ltd. |
| "*Primacy*" | : | Primacy Investment Limited |
| "*SGX-ST*" | : | Singapore Exchange Securities Trading Limited |
| "*Share Registrar*" | : | RHT Corporate Advisory Pte. Ltd., located at 30 Cecil Street #19-08 Prudential Tower Singapore 049712 |
| "*SIC*" | : | The Securities Industry Council of Singapore |
| "*Square*" | : | Square Investment Pte. Ltd. |
| "*UOB*" | : | United Overseas Bank Limited |

**Acting in Concert.** Unless otherwise defined, the term "**acting in concert**" shall have the same meaning as ascribed to it in the Code.

**Announcements and Notices.** References to the making of an announcement or the giving of notice by the Company shall include the release of an announcement by the Company or its agents, for and on behalf of the Company, to the press or the delivery of or transmission by telephone, facsimile, SGXNET or otherwise of an announcement to the SGX-ST. An announcement made otherwise than to the SGX-ST shall be notified to the SGX-ST simultaneously.

**Capitalised Terms in Extracts.** Statements which are reproduced in their entirety from the Offer Document, the IFA Letter and the Constitution are set out in this Circular within quotes and italics, and capitalised terms used within these reproduced statements shall bear the same meanings as attributed to them in the Offer Document, the IFA Letter and the Constitution respectively.

**Depository Related Terms.** The terms "**Depositor**" and "**Depository Register**" shall have the meanings ascribed to them respectively in Section 81SF of the SFA.

**Subsidiary and Related Corporation.** References to "**subsidiary**" and "**related corporation**" shall have the meanings ascribed to them respectively in Sections 5 and 6 of the Companies Act respectively.

**Shareholders.** References to "**you**", "**your**" and "**yours**" in this Circular are, as the context so determines, to the Shareholders.

**Headings.** The headings in this Circular are inserted for convenience only and shall be ignored in construing this Circular.

**Expressions.** Words importing the singular shall, where applicable, include the plural and *vice versa* and words importing one gender shall, where applicable, include any or all other genders. References to persons shall, where applicable, include corporations.

**Statutes.** Any reference in this Circular to any enactment or statutory provision is a reference to that enactment as for the time being amended or re-enacted, unless the context otherwise requires. Any word defined under the Companies Act, the SFA, the Listing Manual or the Code or any modification thereof and used in this Circular shall, where applicable, have the meaning assigned to it under the Companies Act, the SFA, the Listing Manual or the Code or any modification thereof, as the case may be, unless the context otherwise requires.

**Time and Date.** Any reference to a time of day and date in this Circular is made by reference to Singapore time and date, unless otherwise stated.

**Rounding.** Any discrepancies in figures included in this Circular between the amounts shown and the total thereof are due to rounding. Accordingly, figures shown as totals in this Circular may not be an arithmetic aggregation of the figures that precede them.

**Total number of Shares and Percentage as at the Latest Practicable Date.** In this Circular, the total number of Shares is a reference to a total of 563,067,342 Shares in issue as at the Latest Practicable Date (excluding treasury shares) based on a search conducted at ACRA, unless the context otherwise requires. Unless otherwise specified, all references to the percentage shareholding in the capital of the Company in this Circular are based on 563,067,342 Shares in issue as at the Latest Practicable Date (excluding treasury shares) based on a search conducted at ACRA. As at the Latest Practicable Date, the Company has 719,134 treasury shares held in the share capital of the Company.

## CAUTIONARY NOTE ON FORWARD-LOOKING STATEMENTS

All statements other than statements of historical facts included in this Circular are or may be forward-looking statements. Forward-looking statements include but are not limited to those using words such as “aim”, “seek”, “expect”, “anticipate”, “estimate”, “believe”, “intend”, “project”, “plan”, “potential”, “strategy”, “forecast”, “possible”, “probable” and similar expressions or future or conditional verbs such as “if”, “will”, “would”, “should”, “could”, “may” or “might”. These statements reflect the Company’s current expectations, beliefs, hopes, intentions or strategies regarding the future and assumptions in light of currently available information as at the Latest Practicable Date. Such forward-looking statements are not guarantees of future results, performance, events or achievements and involve known and unknown risks and uncertainties. Accordingly, actual results or outcomes may differ materially from those described in such forward-looking statements. Given the risks and uncertainties involved, Shareholders and investors should not place undue reliance on such forward-looking statements, and neither the Company nor the IFA guarantees any future performance or event, or undertakes any obligation to update publicly or revise any forward-looking statements, subject to compliance with all applicable laws and regulations and/or rules of the SGX-ST and/or any other regulatory or supervisory body or agency.

**BREADTALK GROUP LIMITED**
(Incorporated in Singapore)
(Company Registration No.: 200302045G)

| **Board of Directors:** | **Registered Office:** |
|---|---|
| Dr. George Quek Meng Tong (Chairman) | 30 Tai Seng Street |
| Ms. Katherine Lee Lih Leng (Deputy Chairman) | #09-01 BreadTalk IHQ |
| Mr. Ong Kian Min (Lead Independent Director) | Singapore 534013 |
| Mr. Chan Soo Sen (Independent Director) | |
| Dr. Tan Khee Giap (Independent Director) | |
| Mr. Soh Chin Hua (Non-Executive Director) | |

23 March 2020

To: The Shareholders of BreadTalk Group Limited

Dear Sir/Madam

**VOLUNTARY CONDITIONAL CASH OFFER BY UOB, FOR AND ON BEHALF OF THE OFFEROR, FOR THE OFFER SHARES**

## 1. INTRODUCTION

### 1.1 Offer Announcement

On the Offer Announcement Date, UOB announced, for and on behalf of the Offeror, that the Offeror intends to make a voluntary conditional cash offer for all the Shares, other than those already owned, controlled or agreed to be acquired by the Offeror (the "**Offer Shares**").

A copy of the Offer Announcement is available on the website of the SGX-ST at www.sgx.com.

### 1.2 Offer Document

Shareholders should have by now received a copy of the Offer Document, as announced by UOB, for and on behalf of the Offeror, which was despatched on 9 March 2020, setting out, *inter alia*, the terms and conditions of the Offer. The principal terms and conditions of the Offer are set out in Section 2 of the Offer Document. **Shareholders are advised to read the terms and conditions of the Offer set out in the Offer Document carefully.**

A copy of the Offer Document is available on the website of the SGX-ST at www.sgx.com.

### 1.3 Independent Financial Adviser

The Company has appointed PPCF as the independent financial adviser to advise the Independent Directors in respect of the Offer.

1.4 **Purpose of Circular**

The purpose of this Circular is to provide Shareholders with relevant information pertaining to the Company, the Offer, the advice of the IFA to the Independent Directors and the recommendation of the Independent Directors with regard to the Offer.

**Shareholders should read the Offer Document, this Circular and the IFA Letter set out in Appendix I to this Circular carefully and consider the recommendation of the Independent Directors and the advice of the IFA to the Independent Directors in respect of the Offer before deciding whether or not to accept the Offer.**

**If you are in any doubt in relation to this Circular or as to the action you should take, you should consult your stockbroker, bank manager, accountant, solicitor, tax adviser or other professional adviser immediately.**

## 2. THE OFFER

Based on the information set out in the Offer Document:

2.1 **Terms of the Offer**

UOB has, for and on behalf of the Offeror, made the Offer for all the Offer Shares, on the terms and subject to the conditions set out in the Offer Document, the FAA and the FAT, on the following basis:

(a) **Offer Price**

**For each Offer Share: S$0.77 in cash**

(b) **Offer Shares**

The Offeror is making the Offer for:

(i) all of the Shares in issue (excluding any treasury shares); and

(ii) all new Shares unconditionally issued or to be issued, or treasury shares unconditionally delivered or to be delivered, as the case may be, pursuant to the valid vesting and release of any outstanding share awards (the "**BTG Awards**") granted under the BreadTalk Group Limited Restricted Share Grant Plan 2008 and the BreadTalk Group Limited Restricted Share Grant Plan 2018 (collectively, the "**BreadTalk RSG Plans**") on or prior to the Closing Date,

in each case including any Shares owned, controlled or agreed to be acquired by parties acting or deemed to be acting in concert with the Offeror in relation to the Offer. For the purposes of the Offer and for the avoidance of doubt, the expression "Offer Shares" shall include all such Shares.

(c) **No Encumbrances**

The Offer Shares are to be acquired:

(i) fully paid;

(ii) free from all Encumbrances; and

(iii) together with all rights, benefits and entitlements attached thereto as at the Offer Announcement Date and thereafter attaching thereto, including the right to receive and retain (if any) all Distributions announced, declared, paid or made by the Company on or after the Offer Announcement Date.

If any Distribution is announced, declared, paid or made by the Company on or after the Offer Announcement Date to a Shareholder who accepts or has accepted the Offer and the settlement date in respect of the Shares accepted pursuant to the Offer falls after the books closure date for the determination of entitlements to such Distribution, the Offeror reserves the right to reduce the Offer Price payable to such Accepting Shareholder by the amount of such Distribution.

2.2 **Acceptance Condition**

The Offer is conditional on the Offeror having received, by the close of the Offer, valid acceptances (which have not been withdrawn) in respect of such number of Offer Shares which will result in the Offeror and parties acting or deemed to be acting in concert with it holding more than 90 per cent. of the total number of Shares in issue (excluding any treasury shares) as at the close of the Offer (including any Shares which may be unconditionally issued or delivered pursuant to the valid vesting and release of the outstanding BTG Awards prior to the close of the Offer) (the "**Acceptance Condition**").

Accordingly, the Offer will not become or be capable of being declared unconditional as to acceptances until the close of the Offer, unless at any time prior to the close of the Offer, the Offeror has received valid acceptances in respect of such number of Offer Shares which will result in the Offeror and parties acting or deemed to be acting in concert with it holding such number of Shares amounting to more than 90 per cent. of the maximum potential issued share capital of the Company. For this purpose, the "**maximum potential issued share capital of the Company**" means the total number of Shares which would be in issue (excluding treasury shares) had all the outstanding BTG Awards, which may vest and be released during the offer period, been validly vested and released as at the date of such declaration.

Save for the Acceptance Condition, the Offer is unconditional in all other respects.

2.3 **BTG Awards**

As at the Latest Practicable Date, based on the latest information available to the Offeror, there are up to 422,237 BTG Awards outstanding. Under the rules of the BreadTalk RSG Plans, the outstanding BTG Awards are personal to the holders of the outstanding BTG Awards and are not transferable. In view of this restriction, the Offeror will not make an offer to acquire the outstanding BTG Awards. For the avoidance of doubt, the Offer is extended to all new Shares unconditionally issued or to be issued, or treasury shares unconditionally delivered or to be delivered, as the case may be, pursuant to the valid vesting and release of any outstanding BTG Awards on or prior to the Closing Date.

2.4 **No Options**

As at the Latest Practicable Date, based on the latest information available to the Offeror, save as disclosed above, there are no outstanding options exercisable in respect of the Shares.

2.5 **Warranty**

A Shareholder who tenders his Offer Shares in acceptance of the Offer will be deemed to unconditionally and irrevocably warrant that he sells such Offer Shares as or on behalf of the beneficial owner(s) thereof (i) fully paid, (ii) free from all Encumbrances, and (iii) together with all rights, benefits and entitlements attached thereto as at the Offer Announcement Date and thereafter attaching thereto, including the right to receive and retain (if any) all Distributions announced, declared, paid or made by the Company in respect of the Offer Shares on or after the Offer Announcement Date.

2.6 **Duration of the Offer**

(a) **First Closing Date**

The Offer will remain open for acceptances by Shareholders for at least 28 days from the Despatch Date, unless the Offer is withdrawn with the consent of the SIC and every person released from any obligation thereunder. **Accordingly, the Offer will close at 5.30 p.m. (Singapore time) on 6 April 2020 or such later date(s) as may be announced from time to time by or on behalf of the Offeror.**

(b) **Subsequent Closing Date(s)**

The Offeror is not obliged to extend the Offer. However, if the Offer is extended and:

(i) is not unconditional as to acceptances as at the date of such extension, the announcement of the extension must state the next Closing Date; or

(ii) is unconditional as to acceptances as at the date of such extension, the announcement of the extension need not state the next Closing Date but may state that the Offer will remain open until further notice. In such a case, the Offeror must give Shareholders, as the cast may be, at least 14 days' prior notice in writing before it may close the Offer.

(c) **Offer to Remain Open for 14 Days After Being Declared Unconditional as to Acceptances**

In order to give Shareholders who have not accepted the Offer the opportunity to accept the Offer after the Offer has become or is declared unconditional as to acceptances, the Offer will remain open for a period (the "**Rule 22.6 Period**") of not less than 14 days after the date on which it would otherwise have closed.

This requirement does not apply if, before the Offer has become or is declared unconditional as to acceptances, the Offeror has given Shareholders at least 14 days' notice in writing (the "**Shut-Off Notice**") that the Offer will not be open for acceptance beyond a specified Closing Date, provided that:

(i) the Offeror may not give a Shut-Off Notice in a competitive situation; and

(ii) the Offeror may not enforce a Shut-Off Notice, if already given, in a competitive situation.

For these purposes, the SIC would normally regard a "competitive situation" to have arisen if a competing offer for the Company has been announced.

If a declaration that the Offer is unconditional is confirmed in accordance with paragraph 3.1 of Appendix 1 to the Offer Document, the Rule 22.6 Period will run from the date of such confirmation or the date on which the Offer would otherwise have closed, whichever is later. For the purposes of this paragraph, a "competitive situation" shall be deemed to arise when either (i) a firm intention to make a competing offer for the Company is announced, whether or not subject to any preconditions or (ii) the SIC determines that a competitive situation has arisen.

(d) **Final Day Rule**

The Offer (whether revised or not) will not be capable:

(i) of becoming or being declared unconditional as to acceptances after 5.30 p.m. (Singapore time) on the 60th day after the Despatch Date; or

(ii) of being kept open after such 60-day period unless the Offer has previously become or been declared to be unconditional as to acceptances,

provided that the Offeror may extend the Offer beyond such 60-day period with the SIC's prior consent (the "**Final Day Rule**").

Except with the SIC's consent, all conditions must be fulfilled or the Offer must lapse within 21 days of the first Closing Date or of the date the Offer becomes or is declared unconditional as to acceptances, whichever is the later.

(e) **Revision**

The Offeror reserves the right to reduce the Acceptance Condition to a level which is more than 50 per cent. of the total number of Shares (as required by Rule 15.1 of the Code), subject to the consent of the SIC. In the event that the Acceptance Condition is revised, the conditions for the SIC's consent will include (i) the revised Offer being kept open for at least 14 days following the posting of the written notification to Shareholders of such revision, and (ii) Shareholders who have accepted the initial Offer being allowed to withdraw their acceptance within eight days of the notification of such revision.

2.7 **Details of the Offer**

Further details on (a) the settlement of the consideration for the Offer, (b) the requirements relating to the announcement of the level of acceptances of the Offer, and (c) the right of withdrawal of acceptances of the Offer are set out in Sections 2 to 4 of Appendix 1 to the Offer Document.

2.8 **Procedures for Acceptance**

The procedures for acceptance of the Offer are set out in Appendix 2 to the Offer Document and the accompanying FAA and/or FAT (as the case may be).

## 3. INFORMATION ON THE OFFEROR AND THE CONSORTIUM MEMBERS

3.1 **Information on the Offeror and the Consortium Members**

The information on the Offeror and the Consortium Members set out in italics below has been extracted from Section 5 of the Offer Document. All terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document, unless otherwise stated.

***"5. INFORMATION ON THE OFFEROR AND THE CONSORTIUM MEMBERS***

***5.1 The Offeror.*** *The Offeror, a special purpose vehicle incorporated in Singapore, is the bid vehicle for the Consortium Members, namely (i) the Co-Founders, (ii) Piece, (iii) Primacy, and (iv) Minor BT, for the purposes of the Offer pursuant to the Shareholders' Agreement.*

*The Shareholders' Agreement sets out the proposed terms of the shareholder and governance arrangements between Piece and Minor BT in respect of the Offeror, in relation to the Offer and following completion of the Offer, including reserved matters requiring the prior written approval of Minor BT.*

*As at the Latest Practicable Date, the board of directors of the Offeror comprises four members, consisting of three representatives of Piece, being GQ, KL and Mr Jonathan Quek, and one representative of Minor BT, being Mr Stephen Chojnacki (each a "**Consortium Representative**" and collectively, the "**Consortium Representatives**"). After the close of the Offer, the Consortium Representative in relation to Minor BT will be Mr Soh Chin Hua (in place of Mr Stephen Chojnacki).*

*As at the Latest Practicable Date, the Offeror has an initial issued and paid-up share capital of S$1,000 comprising 1,000 ordinary shares (each ordinary share in the capital of the Offeror being an "**Offeror Share**", and a holder thereof, an "**Offeror Shareholder**"), and Piece holds 74.9 per cent. of the Offeror Shares and Minor BT holds the remaining 25.1 per cent. of the Offeror Shares. As set out in **Section 7.1.2** of this Offer Document, Piece and Minor BT will subscribe for additional Offeror Shares pursuant to the Reinvestments. It is intended that following completion of the Reinvestments, Piece and Minor BT will continue to hold the same percentage shareholding of Offeror Shares that they currently hold.*

*As at the Latest Practicable Date, the Offeror does not have any existing interest in Shares.*

***Appendix 3*** *to this Offer Document sets out additional information on the Offeror.*

*5.2* ***Co-Founders and Piece.*** *GQ is the chairman and an executive director of the Company, and KL, who is the wife of GQ, is the deputy chairman and an executive director of the Company.*

*GQ and KL are each a substantial shareholder of the Company. GQ has a direct interest in 191,375,320 Shares, representing approximately 33.99 per cent. of the Company, and KL has a direct interest in 104,830,040 Shares, representing approximately 18.62 per cent. of the Company.*

*In addition, GQ and KL each have a deemed interest in 20,983,348 Shares, representing approximately 3.73 per cent. of the Company, in which Square has a direct interest. Square is an investment holding company incorporated in Singapore with an issued and paid-up share capital of S$2 comprising two ordinary shares (the "**Square Shares**"). GQ and KL each hold one Square Share, representing 50 per cent. of the share capital of Square.*

*Piece is an investment holding company incorporated in Singapore with an issued and paid-up share capital of S$2 comprising two ordinary shares (the "**Piece Shares**"). GQ and KL each hold one Piece Share, representing 50 per cent. of the share capital of Piece.*

*As at the Latest Practicable Date, Piece does not have any existing interest in the Shares.*

***Appendix 4*** *to this Offer Document sets out additional information on Piece.*

*5.3* ***Minor BT.*** *Minor BT is an investment holding company incorporated in Singapore and a directly wholly owned subsidiary of Primacy. Primacy is a substantial shareholder of the Company and holds 79,954,600 Shares, representing approximately 14.20 per cent. of the Company. Primacy is a wholly owned subsidiary of Minor Food, which is in turn 99.73 per cent. owned by Minor International.*

*Minor International is a company listed on the Stock Exchange of Thailand (SET: MINT). Minor International is one of the largest hospitality and leisure companies in the Asia Pacific region. Minor International operates over 520 hotels and resorts, 2,200 restaurants and 480 retail trading points of sale, in Thailand and in 62 markets across the Asia Pacific, the Middle East, Africa, the Indian Ocean, Europe and the Americas.*

*Mr Stephen Chojnacki, who is the Consortium Representative in relation to Minor BT, is the Authorised Representative of Minor BT and the General Counsel and Chief Commercial Officer of Minor International.*

*Mr Soh Chin Hua, who will be the Consortium Representative in relation to Minor BT after the close of the Offer, is the chairman and chief executive officer of Minor Food Group Singapore. Minor Food Singapore is Minor International's Singapore-based food business and is 92.0 per cent. owned by Primacy. Mr Soh Chin Hua is also a director of the Company.*

*As at the Latest Practicable Date, Minor BT does not have any existing interest in the Shares."*

3.2 **Further information on the Offeror and Piece**

Shareholders should refer to Appendices 3 and 4 to the Offer Document for further information on the Offeror and Piece, respectively.

## 4. IRREVOCABLE UNDERTAKINGS

The full text of the undertakings provided by each of the Reinvestment Undertaking Shareholders (the "**Reinvestment Irrevocable Undertakings**") has been extracted from Section 7 of the Offer Document and is set out in italics below.

***"7. IRREVOCABLE UNDERTAKINGS***

***7.1 Reinvestment Irrevocable Undertakings.** It is the intention of the Co-Founders and Primacy (collectively, the "**Reinvestment Undertaking Shareholders**") to retain their existing direct and/or indirect equity interests in the Company through subscribing for new Offeror Shares. To this end, each of the Reinvestment Undertaking Shareholders has given an irrevocable undertaking (collectively, the "**Reinvestment Irrevocable Undertakings**") to the Offeror to, inter alia:*

***7.1.1** tender all the Shares that it/he/she holds in aggregate as at the date of the Reinvestment Irrevocable Undertakings and any other Shares which it/he/she may subsequently acquire (directly or indirectly or through a nominee) after the date of the Reinvestment Irrevocable Undertakings, in acceptance of the Offer by such date as may be designated by the Offeror after the date the Offer becomes or is declared unconditional in all respects in accordance with the procedures prescribed in this Offer Document and the relevant Acceptance Forms; and*

***7.1.2** reinvest the entire amount of the consideration due to it/him/her for its/his/her Shares under the Offer to subscribe, indirectly, through Piece (in respect of the Co-Founders) or Minor BT (in respect of Primacy), as the case may be, for new Offeror Shares at a subscription price based on the Offer Price by such date as may be designated by the Offeror after the close of the Offer or, in the event the Offeror becomes entitled to and exercises its right under Section 215(1) of the Companies Act to compulsorily acquire all the Shares of the Dissenting Shareholders (as defined herein), after the date of completion of such compulsory acquisition (or such other date as may be agreed between the Offeror and such Reinvestment Undertaking Shareholder) (the "**Reinvestments**").*

*As at the Latest Practicable Date, the Reinvestment Undertaking Shareholders collectively hold 397,143,308 Shares, representing approximately 70.53 per cent. of the Company. Details of the Shares held by the Reinvestment Undertaking Shareholders that will be tendered in acceptance of the Offer and the amount of consideration entitled to which will be applied pursuant to the Reinvestments are set out below:*

| ***No.*** | ***Reinvestment Undertaking Shareholder*** | ***No. of Shares to be tendered in acceptance of the Offer*** | ***Percentage of the total number of Shares (%)*** | ***Amount of Consideration entitled to, which will be applied to subscribe indirectly for new Offeror Shares (S$)*** |
|---|---|---|---|---|
| *1.* | *GQ* | *191,375,320* | *33.99* | *147,358,996.40* |
| *2.* | *KL* | *104,830,040* | *18.62* | *80,719,130.80* |
| *3.* | *Square* | *20,983,348* | *3.73* | *16,157,177.96* |
| *4.* | *Primacy* | *79,954,600* | *14.20* | *61,565,042.00* |
| ***Total*** | | *397,143,308* | *70.53* | *305,800,347.16* |

*7.2* ***Termination.*** *The Reinvestment Irrevocable Undertakings will terminate or lapse upon the earlier of:*

*(i)* *the Offer being withdrawn or lapsing;*

*(ii)* *the Offeror failing to release the Offer Announcement within three Business Days from the date of the Reinvestment Irrevocable Undertakings or such other date as may be extended by mutual written agreement of the Offeror (on the one hand) and the relevant Reinvestment Undertaking Shareholders (on the other hand), subject to the requirements of the Code; and*

*(iii)* *the Offer not being formally made by the Offeror (by the posting of the Offer Document) within the time period prescribed under the Code (or such later date as the SIC may permit).*

*7.3* ***SIC Confirmation.*** *Pursuant to an application made by the Offeror to the SIC to seek certain rulings in relation to the Offer, the SIC has confirmed that the Shareholders' Agreement, the Reinvestment Irrevocable Undertakings and the Reinvestments do not constitute a special deal for the purposes of Rule 10 of the Code.*

*7.4* ***No Undertakings.*** *As at the Latest Practicable Date, save for the Reinvestment Irrevocable Undertakings, neither the Offeror nor any party acting in concert with the Offeror has received any irrevocable undertaking from any party to accept or reject the Offer."*

## 5. RATIONALE FOR THE OFFER

The full text of the rationale for the Offer has been extracted from Section 8 of the Offer Document and is set out in italics below. All terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document, unless otherwise stated. **Shareholders are advised to read the extract below carefully.**

***"8. RATIONALE FOR THE OFFER***

***8.1 Opportunity for Shareholders to Exit their Investment in the Shares at a Compelling Premium.*** *The Offer Price represents a premium of approximately 30.1 per cent., 24.0 per cent. and 25.0 per cent. over the VWAP per Share for the one-month, three-month and six-month periods respectively up to and including the Last Trading Day and a premium of approximately 19.4 per cent. over the closing price per Share of S$0.645 as quoted on the SGX-ST on the Last Trading Day. Against the backdrop of a challenging macro and operating environment which had negatively impacted the Group's businesses in China, Hong Kong and Thailand, the Offer represents an attractive cash exit opportunity for Shareholders to liquidate and realise their entire investment at a premium to the prevailing market prices, without incurring brokerage and other trading costs.*

***8.2 Greater Management Flexibility.*** *The Offeror is making the Offer with a view to delist the Company from the SGX-ST and exercise its rights of compulsory acquisition. The Offeror believes that privatising the Company will provide the Offeror with more flexibility to address the challenges facing the Group, as well as to manage the business of the Company and optimise the use of the Company's management and resources.*

***8.3 Costs of Maintaining Listing Status.*** *In maintaining its listed status, the Company incurs compliance and associated costs relating to continuing listing requirements under the Listing Manual. In the event that the Company is delisted from the SGX-ST, the Company will be able to save on expenses and costs relating to the maintenance of a listed status and channel such resources to its business operations.*

***8.4 No Necessity for Access to Equity Capital Markets.*** *The Company has not carried out any exercise to raise equity capital on the SGX-ST in the last 10 years. The Company is unlikely to require access to Singapore equity capital markets to finance its operations in the foreseeable future as the Company has various other available funding sources such as bank borrowing facilities. Accordingly, it is not necessary for the Company to maintain a listing on the SGX-ST."*

## 6. OFFEROR'S INTENTIONS IN RELATION TO THE COMPANY

The full text of the Offeror's intentions for the Company has been extracted from Section 9 of the Offer Document and is set out in italics below. **Shareholders are advised to read the extract below carefully and note the Offeror's future plans for the Company.**

***"9. OFFEROR'S INTENTIONS IN RELATION TO THE COMPANY***

*Following the successful close of the Offer, the Offeror intends to undertake a review of the Company's business activities with a view to streamlining such business activities. The Offeror intends for the Company to refocus on and strengthen core business activities and explore potential corporate actions including the disposal of non-core property assets.*

*Save as set out above, the Offeror intends for the Company to continue its existing business activities and there are currently no plans to (i) introduce any major changes to the business of the Company, (ii) re-deploy any of the fixed assets of the Company or (iii) discontinue the employment of any of the existing employees of the Company or its subsidiaries, other than in the ordinary course of business. However, the Offeror retains and reserves the right and flexibility at any time and from time to time to consider any options or opportunities in relation to the Company which may present themselves and which the Offeror may regard to be in the best interests of the Company."*

## 7. COMPULSORY ACQUISITION AND LISTING STATUS

The full text of the intentions of the Offeror relating to the compulsory acquisition and listing status of the Company has been extracted from Sections 10 and 11 of the Offer Document and is set out in italics below. All terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document, unless otherwise stated. **Shareholders are advised to read the extract below carefully.**

***"10. COMPULSORY ACQUISITION***

***10.1 Compulsory Acquisition Rights.*** *Pursuant to Section 215(1) of the Companies Act, if the Offeror receives valid acceptances pursuant to the Offer and/or acquires Shares during the Offer period otherwise than through valid acceptances of the Offer in respect of not less than 90 per cent. of the total number of Shares (other than those already held by the Offeror, its related corporations or their respective nominees as at the date of the Offer), the Offeror will be entitled to exercise the right to compulsorily acquire all the Shares of the Shareholders who have not accepted the Offer (the "**Dissenting Shareholders**") on the same terms as those offered under the Offer.*

***In the event that the Offeror becomes entitled to exercise its right under Section 215(1) of the Companies Act to compulsorily acquire all the Shares of the Dissenting Shareholders, the Offeror intends to exercise such rights. In such event, the Company will become a wholly owned subsidiary of the Offeror and the Offeror will then proceed to delist the Company from the SGX-ST.***

*10.2* ***Dissenting Shareholders' Rights.*** *In addition, pursuant to Section 215(3) of the Companies Act, if the Offeror acquires such number of Shares which, together with treasury shares and any Shares in the capital of the Company held by it, its related corporations or their respective nominees, comprise 90 per cent. or more of the total number of Shares, the Dissenting Shareholders have a right to require the Offeror to acquire their Shares at the Offer Price. Dissenting Shareholders who wish to exercise such a right are advised to seek their own independent legal advice.*

***11. LISTING STATUS OF THE COMPANY***

*11.1* ***Listing Status of the Company.*** *Under Rule 723 of the Listing Manual, the Company must ensure that at least 10 per cent. of the total number of the Shares (excluding treasury shares) is at all times held by the public (the "**Free Float Requirement**").*

*Under Rule 1105 of the Listing Manual, in the event that the Offeror and parties acting in concert with the Offeror should, as a result of the Offer or otherwise, own or control more than 90 per cent. of the Shares (excluding treasury shares), the SGX-ST may suspend the trading of the Shares on the SGX-ST until such time when the SGX-ST is satisfied that at least 10 per cent. of the Shares (excluding treasury shares) are held by at least 500 Shareholders who are members of the public.*

*Further, under Rule 1303(1) of the Listing Manual, where the Offeror succeeds in garnering acceptances exceeding 90 per cent. of the Shares (excluding treasury shares), thus causing the percentage of the Company's total number of Shares (excluding treasury shares) in public hands to fall below 10 per cent., the SGX-ST will suspend trading of Shares at the close of the Offer.*

*In addition, under Rule 724(1) of the Listing Manual, if the Free Float Requirement is not complied with, the Company must, as soon as possible, announce that fact and the SGX-ST may suspend trading of all the Shares, or all the securities of the Company, on the SGX-ST. Rule 724(2) of the Listing Manual states that the SGX-ST may allow the Company a period of three months, or such longer period as the SGX-ST may agree, for the proportion of the Shares held by members of the public to be raised to at least 10 per cent., failing which the Company may be delisted from the SGX-ST.*

*11.2* ***Intention of the Offeror.*** *In the event the Offeror is unable to exercise the right to compulsorily acquire all the Shares not acquired under the Offer as set out in **Section 10** of this Offer Document and the Company does not meet the Free Float Requirement under Rule 723 of the Listing Manual, **the Offeror and the Consortium Members do not intend to support any action taken or to be taken to meet the Free Float Requirement or maintain the present listing status of the Company.***

***Accordingly, the Offeror and the Consortium Members do not intend to place out any Shares held by the Offeror and the Consortium Members to members of the public to meet the Free Float Requirement. If the Company does not meet the requirements under Rule 723 of the Listing Manual, the SGX-ST may suspend trading of the Shares on the SGX-ST following the close of the Offer.***

***In addition, the Offeror intends, and hereby reserves its right, to take steps at an appropriate time, whether during or after the Offer, to seek a voluntary delisting of the Company from the SGX-ST, where permitted by, and in accordance with, the relevant requirements of the Listing Manual and the Code.***

*If, for any reason, the Company continues to meet the requirements under Rule 723 of the Listing Manual following the close of the Offer, the Company will remain listed, and trading of the Shares will be maintained, on the SGX-ST."*

## 8. FINANCIAL ASPECTS OF THE OFFER

The full text of the financial aspects of the Offer has been extracted from Section 12 of the Offer Document and is set out in italics below.

### *"12. FINANCIAL ASPECTS OF THE OFFER*

***Offer Price.*** *The Offer Price represents the following premia over the historical traded price of the Shares:*

| ***Description*** | ***Benchmark Price(1)(2) (S$)*** | ***Premium over Benchmark Price(3) (%)*** |
|---|---|---|
| *Last traded price per Share as quoted on the SGX-ST on the Last Trading Day, being 21 February 2020* | *0.645* | *19.4* |
| *VWAP per Share for the one-month period up to and including the Last Trading Day* | *0.592* | *30.1* |
| *VWAP per Share for the three-month period up to and including the Last Trading Day* | *0.621* | *24.0* |
| *VWAP per Share for the six-month period up to and including the Last Trading Day* | *0.616* | *25.0* |
| *VWAP per Share for the twelve-month period up to and including the Last Trading Day* | *0.639* | *20.5* |

***Notes:***

*(1) Based on data extracted from Bloomberg L.P.*

*(2) Rounded to the nearest three decimal places.*

*(3) For the purposes of the table above, all percentage figures are rounded to the nearest one decimal place."*

## 9. CONFIRMATION OF FINANCIAL RESOURCES

The full text of the confirmation of financial resources by UOB as set out in Section 13 of the Offer Document has been extracted from the Offer Document and is set out in italics below.

***"13. CONFIRMATION OF FINANCIAL RESOURCES***

*UOB, as financial adviser to the Offeror in connection with the Offer, confirms that sufficient financial resources are available to the Offeror to satisfy in full, all acceptances in respect of the Offer on the basis of the Offer Price, excluding the consideration payable to the Reinvestment Undertaking Shareholders for their Shares tendered in acceptance of the Offer which shall be reinvested to subscribe, indirectly, through Piece (in respect of the Co-Founders) or Minor BT (in respect of Primacy), as the case may be, for new Offeror Shares."*

## 10. DISCLOSURES OF SHAREHOLDINGS, DEALINGS AND OTHER ARRANGEMENTS

The full text of information relating to the disclosure of holdings and dealings in relevant securities by the Offeror and persons acting in concert with the Offeror has been extracted from Section 14 of the Offer Document and Appendix 6 to the Offer Document and is set out in italics below.

***"14. DISCLOSURE OF SHAREHOLDINGS, DEALINGS AND OTHER ARRANGEMENTS***

***14.1 Holdings of and Dealings in Shares.*** *Based on the latest information available to the Offeror,* ***Appendix 6*** *to this Offer Document sets out details of:*

*(i) the number of Shares owned, controlled or agreed to be acquired by parties acting in concert with the Offeror as at the Latest Practicable Date; and*

*(ii) the dealings in the Shares by a party acting in concert with the Offeror during the Reference Period.*

*Save as disclosed in this Offer Document, none of the Offeror, its directors and parties acting in concert with the Offeror owns, controls or has agreed to acquire or has dealt for value during the Reference Period in any Company Securities.*

***14.2 Other Arrangements.*** *In connection with the Offer, each of Piece and Minor BT has entered into a facility agreement with UOB as lender. Under each facility agreement, UOB has agreed to make available to Piece or Minor BT, as the case may be, a Singapore dollar loan facility which may be utilised for the purposes of, inter alia, funding the Offeror in connection with the Offer (each, a "****Facility****").*

*Certain security arrangements have been entered into in connection with the Facility made available by UOB, including a charge by the Offeror in respect of up to 74.9 per cent. of the total number of Shares.*

*As at the Latest Practicable Date, save as set out above and in **Appendix 6** to this Offer Document, none of the Offeror and parties acting in concert with it has, in respect of any Company Securities:*

*(i) granted a security interest to another person, whether through a charge, pledge or otherwise;*

*(ii) borrowed from another person (excluding borrowed securities which have been on-lent or sold); or*

*(iii) lent to another person.*

***APPENDIX 6 – DISCLOSURE OF SHAREHOLDINGS, DEALINGS AND OTHER ARRANGEMENTS***

***1. HOLDINGS OF SHARES***

*As at the Latest Practicable Date, save as set out below, none of the Offeror and parties acting in concert with the Offeror (based on the latest information available to the Offeror), owns, controls or has agreed to acquire any Company Securities:*

| | ***Direct Interest*** | | ***Deemed Interest*** | |
|---|---|---|---|---|
| ***Name*** | ***No. of Shares*** | ***%[1]*** | ***No. of Shares*** | ***%[1]*** |
| *GQ[2][3]* | *191,375,320[5]* | *33.99* | *125,813,388* | *22.34* |
| *KL[2][4]* | *104,830,040[6]* | *18.62* | *212,358,668* | *37.71* |
| *Square* | *20,983,348[7]* | *3.73* | *–* | *–* |
| *Primacy* | *79,954,600* | *14.20* | *–* | *–* |
| *Seah Kian Wee[8]* | *149,000* | *0.03* | *–* | *–* |
| *UOB Kay Hian Private Limited[9]* | *370,400* | *0.07* | *–* | *–* |

***Notes:***

*(1) Calculated based on 563,067,342 Shares (excluding treasury shares) and rounded to the nearest two decimal places.*

*(2) Each of GQ and KL is deemed to be interested in 20,983,348 Shares held by Square, pursuant to the Securities and Futures Act, Chapter 289 of Singapore.*

*(3) GQ is deemed to be interested in 104,830,040 Shares held by his spouse, KL, pursuant to the Companies Act.*

*(4) KL is deemed to be interested in 191,375,320 Shares held by her spouse, GQ, pursuant to the Companies Act.*

*(5) Out of these Shares owned by GQ, 190,505,550 Shares (representing approximately 33.83 per cent. of the total number of Shares in issue as at the Latest Practicable Date) are subject to a share pledge given in favour of certain financial institutions.*

*(6) Out of these Shares owned by KL, 103,095,550 Shares (representing approximately 18.31 per cent. of the total number of Shares in issue as at the Latest Practicable Date) are subject to a share pledge given in favour of certain financial institutions.*

*(7) All the Shares owned by Square are subject to a share pledge given in favour of a financial institution.*

*(8) The individual is a director of certain UOB subsidiaries and associated companies and is presumed to be acting in concert with the Offeror in relation to the Offer under the Code.*

*(9) UOB Kay Hian Private Limited is an associated company of UOB and is presumed to be acting in concert with the Offeror in relation to the Offer under the Code.*

### *2. DEALINGS IN SHARES*

*The details of the dealings in Shares during the Reference Period by a party acting in concert with the Offeror are set out below:*

| *Name* | *Date* | *Nature of Dealing* | *No. of Shares Acquired* | *No. of Shares Sold* | *Transaction Price per Share (S$)* | *Total Amount Paid or Received (S$)* |
|---|---|---|---|---|---|---|
| *UOB Kay Hian Private Limited* | *16 January 2020* | *Hedging arrangement for client-initiated contract for difference* | *4,500* | *–* | *0.665* | *2,992.50* |
| | | | *30,000* | *–* | *0.690* | *20,700.00* |
| | *17 January 2020* | | *15,000* | *–* | *0.635* | *9,525.00* |
| | | | *–* | *15,000* | *0.635* | *9,525.00* |
| | *20 January 2020* | | *–* | *30,000* | *0.635* | *19,050.00* |
| | *21 January 2020* | | *100,000* | *–* | *0.630* | *63,000.00* |
| | | | *50,000* | *–* | *0.625* | *31,250.00* |
| | *23 January 2020* | | *–* | *4,500* | *0.605* | *2,722.50* |
| | | | *50,000* | *–* | *0.605* | *30,250.00* |
| | *24 January 2020* | | *9,800* | *–* | *0.595* | *5,831.00* |
| | *28 January 2020* | | *200* | *–* | *0.595* | *119.00* |
| | | | *40,000* | *–* | *0.575* | *23,000.00* |
| | *21 February 2020* | | *120,400* | *–* | *0.645* | *77,658.00* |

”

## 11. ADVICE AND RECOMMENDATION IN RELATION TO THE OFFER

### 11.1 General

Shareholders should read and carefully consider the recommendation of the Independent Directors as set out in **Section 11.4** below and the advice of the IFA to the Independent Directors dated 23 March 2020, which is set out in **Appendix I** to this Circular, before deciding whether to accept or reject the Offer.

### 11.2 Independence of Directors

The SIC has ruled that each of the Relevant Company Directors is exempted from the requirement to make a recommendation to Shareholders on the Offer, as GQ and KL are directors of the Offeror and Mr. Soh Chin Hua is Minor International’s nominee director to the Board. As stated above, Minor BT, a shareholder of the Offeror, is a subsidiary of Minor International. Accordingly, each of the Relevant Company Directors would face an irreconcilable conflict of interest in making any recommendation on the Offer to the Shareholder.

Notwithstanding such exemption, each of the Relevant Company Directors will still assume responsibility for the accuracy of facts stated and opinions expressed in documents, announcements and/or advertisements issued by, or on behalf of, the Company in connection with the Offer.

Each of Mr. Ong Kian Min, Mr. Chan Soo Sen and Dr. Tan Khee Giap considers himself to be independent for the purposes of making a recommendation to the Shareholders in relation to the Offer.

11.3 **Advice of the IFA to the Independent Directors**

**(a) IFA**

PPCF has been appointed as the independent financial adviser to advise the Independent Directors in respect of the Offer. Shareholders should consider carefully the recommendation of the Independent Directors and the advice of the IFA to the Independent Directors before deciding whether to accept or reject the Offer. PPCF's advice is set out in its letter dated 23 March 2020, which is set out in **Appendix I** to this Circular.

**(b) Factors taken into consideration by the IFA**

In arriving at its recommendation, the IFA has taken into account several key considerations, set forth in paragraphs 8 to 10 of the IFA Letter. Shareholders should read paragraphs 8 to 10 of the IFA Letter in conjunction with, and in the context of, the full text of the IFA Letter.

**(c) Advice of the IFA for the Independent Directors**

After having regard to the considerations set out in the IFA Letter, an extract of the summary which is set out in italics below, and based on the circumstances of the Company and the information available as at the Latest Practicable Date and subject to the qualifications and assumptions set out in the IFA Letter, the IFA has made certain recommendations to the Independent Directors. Shareholders should read the extract below in conjunction with, and in the context of, the full text of the IFA Letter. All terms and expressions used in the extract below shall have the same meanings as those defined in the IFA Letter, unless otherwise stated.

"***10. OPINION***

***Having considered the various factors set out in the earlier sections of this letter and summarised below, we are of the opinion that the financial terms of the Offer are fair and reasonable.***

*In determining whether the Offer is* ***fair****, we have considered the following pertinent factors:*

*(a) The Offer Price represents a premium of approximately 20.5%, 25.0%, 24.0%, 30.1% and 19.4% over the 1-year, 6-month, 3-month and 1-month VWAP of the Shares and the last transacted price on the Last Full Trading Day of the Shares respectively;*

*(b) The Offer Price represents a premium of 193.9% and 181.0% over the unaudited NAV per Share and Adjusted NAV per Share of the Group respectively as at 31 December 2019;*

*(c) The Offer Price represents a premium of 563.8% and 501.6% over the unaudited NTA per Share and Adjusted NTA per Share of the Group respectively as at 31 December 2019;*

*(d) The implied P/NAV and implied P/ANAV of 2.94 times and 2.81 times respectively are (i) above the average historical trailing P/NAV of the Shares for the 6-month, 3-month, 1-month periods prior to and including the Last Full Trading Day, but below the average historical trailing P/NAV of the Shares for the 1-year period; and (ii) above the average historical trailing P/NAV of the Shares for the period after the Last Full Trading Day and up to the Latest Practicable Date;*

*(e) The implied P/NTA and implied P/ANTA of 6.64 times and 6.02 times respectively are (i) above the average historical trailing P/NTA of the Shares for the 1-year, 6-month, 3-month, 1-month periods prior to and including the Last Full Trading Day; and (ii) the implied P/NTA is above the average historical trailing P/NTA of the Shares, but the implied P/ANTA is below the average historical trailing P/NTA, for the period after the Last Full Trading Day and up to the Latest Practicable Date;*

*(f) In respect of the Comparable Companies:*

- *The implied P/E ratio of the Company for FY2019 is negative as the Group recorded a loss and hence it is not meaningful as a comparison metric;*

- *The implied P/E ratio of the Company for FY2018 of 28.54 times is within the range of the P/E ratios of the Comparable Companies and is higher than both the mean and the median P/E ratios of 27.59 times and 20.99 times respectively;*

- *The implied LTM EV/EBITDA ratio of the Company of 4.86 times is within the range of the LTM EV/EBITDA ratios of Comparable Companies, but is lower than both the mean and median LTM EV/EBITDA ratios of 6.14 times and 5.26 times respectively;*

- *The implied LTM EV EX OL/EBITDA ratio of the Company of 2.51 times is within the range of the LTM EV EX OL/EBITDA ratios of Comparable Companies, but is lower than both the mean and median LTM EV EX OL/EBITDA ratios of 4.13 times and 3.58 times respectively;*

- *The implied P/NAV and implied P/ANAV ratios of the Company of 2.94 times and 2.81 times respectively are within the range of the P/NAV ratios of the Comparable Companies, and are higher than both the mean and median P/NAV ratios of 2.42 times and 2.59 times respectively;*

- *The implied P/NTA and implied P/ANTA ratios of the Company of 6.64 times and 6.02 times respectively are higher than the range of the P/NTA ratios of the Comparable Companies, and both the mean and median P/NTA ratios of 2.56 times and 2.78 times respectively;*

(g) *In respect of the December Year End Comparable Companies:*

- *The implied P/E of the Company for FY2018 of 28.54 times is within the range of the P/E ratios of the December Year End Comparable Companies, but is lower than both the mean and median P/E ratios of 38.05 times and 37.14 times respectively;*

- *The implied LTM EV/EBITDA ratio of the Company of 4.86 times is within the range of the LTM EV/EBITDA ratios of December Year End Comparable Companies, and is higher than both the mean and median LTM EV/EBITDA ratios of 4.58 times and 4.38 times respectively;*

- *The implied LTM EV EX OL/EBITDA ratio of the Company of 2.51 times is within the range of the LTM EV EX OL/EBITDA ratios of December Year End Comparable Companies and is higher than the median LTM EV EX OL/EBITDA ratio of 2.32 times, but lower than the mean LTM EV EX OL/EBITDA ratio of 3.04 times;*

- *The implied P/NAV and implied P/ANAV ratios of the Company of 2.94 times and 2.81 times respectively are within the range of the P/NAV ratios of the December Year End Comparable Companies and are higher than the mean P/NAV ratio of 2.64 times, but lower than the median P/NAV ratio of 3.11 times;*

- *The implied P/NTA and implied P/ANTA ratios of the Company of 6.64 times and 6.02 times respectively are higher than the range of the P/NTA ratios of the December Year End Comparable Companies, and both the mean and median P/NTA ratios of 2.67 times and 3.07 times respectively;*

(h) *In comparison with the Precedent Privatisations:*

- *The premium of approximately 19.4% implied by the Offer Price over the last transacted price of the Shares on the Last Full Trading Day is within the range but is lower than the mean and median premia of 30.6% and 26.6% respectively as implied by the respective offer prices paid over the last transacted market prices of the shares on their respective last trading day with respect to the Precedent Privatisations;*

- *The premium of approximately 30.1% implied by the Offer Price over the 1-month VWAP of the Shares up to and including the Last Full Trading Day is within the range but is lower than the mean and median premia of 38.1% and 33.7% respectively as implied by the respective offer price over the 1-month VWAP of the shares with respect to the Precedent Privatisations;*

- *The premium of approximately 24.0% implied by the Offer Price over the 3-month VWAP of the Shares up to and including the Last Full Trading Day is within the range but is lower than the mean and the median premia of 39.5% and 32.8% respectively as implied by the respective offer price over the 3-month VWAP of the shares in respect of the Precedent Privatisations;*

- *The premium of approximately 25.0% implied by the Offer Price over the 6-month VWAP of the Shares up to and including the Last Full Trading Day is within the range but is lower than the mean and the median premia of 38.1% and 32.7% respectively as implied by the respective offer price over the 6-month VWAP of the shares in respect of the Precedent Privatisations; and*

- *The implied P/NAV and implied P/ANAV ratios of the Company of 2.94 times and 2.81 times respectively are (i) within the range of P/NAV ratios of the Precedent Privatisations of between 0.28 times and 5.62 times; (ii) significantly higher than the mean P/NAV ratio of the Precedent Privatisations of 1.23 times; and (iii) significantly higher than the median P/NAV ratio of the Precedent Privatisations of 0.88 times.*

*In determining whether the Offer is* ***reasonable****, we have considered the following pertinent factors:*

*(i) For the 1-year, 6-month, 3-month and 1-month periods, the ADTV as a percentage of the Company's free float ranged between 0.54% and 0.94%. Between the Offer Announcement Date and the Latest Practicable Date, trading volume of the Shares rose significantly to an ADTV of approximately 2.96% of the Company's free float;*

*(j) As compared to the relative performance of the market indices, the current market price and the trading volume of the Shares may have been underpinned by the Offer subsequent to the Offer Announcement Date. As such, there is no assurance that the market price and trading volume of the Shares will be maintained at the prevailing level as at the Latest Practicable Date after the close of the Offer;*

*(k) The Group's revenue increased by approximately 9.0% from S\$609.8 million in FY2018 to \$664.9 million in FY2019, led by growth across all business divisions. However, the Group recorded a loss attributable to Shareholders of S\$5.2 million in FY2019 as compared to a profit attributable to Shareholders of S\$15.2 million in FY2018, mainly due to (i) a PBT loss from the Bakery Division; (ii) a decrease in the profit from the Food Atrium Division mainly due to higher lease-related depreciation from the adoption of SFRS(I) 16, weaker profitability in China and Hong Kong and losses incurred in Taiwan and Cambodia; (iii) the 4orth Division reporting a PBT loss mainly due to start-up costs for new outlets and below expectation performance in certain outlets; and (iv) higher lease-related depreciation following the adoption of SFRS(I) 16 in FY2019;*

*(l) We note that the Group's profit margin has decreased from 3.6% for FY2017 to 2.5% for FY2018. For FY2019, the Group recorded a loss attributable to Shareholders arising from challenging operating conditions across their key markets, which is worsened by the current COVID-19 outbreak and the social unrest in Hong Kong;*

*(m) The Offer Price represents a premium of approximately 57.1% and 14.9% to the price targets of S$0.49 and S$0.67 respectively estimated by analysts;*

*(n) We note that the dividend yield of the Company for FY2019 based on the Offer Price is approximately 1.30%. This suggests that Shareholders who accept the Offer may potentially experience an increase in dividend income if they reinvest the proceeds from the Offer in the shares of Comparable Companies;*

*(o) As at the Latest Practicable Date, pursuant to the Reinvestment Irrevocable Undertakings, the Offeror has received irrevocable undertakings to accept the Offer in respect of an aggregate of 397,143,308 Shares, representing approximately 70.53% of the total number of issued Shares;*

*(p) The Company has confirmed that there is no alternative or competing offer available to the Shareholders as at the Latest Practicable Date. In the event of an alternative or competing offer, we note that unless the Reinvestment Undertaking Shareholders accept such alternative or competing offer, any offer made by any third parties would not be capable of becoming unconditional;*

*(q) The intention of the Offeror to exercise any rights of Compulsory Acquisition in the event that the Offeror acquires not less than 90% of the total number of issued Shares (other than those already held by the Offeror, its related corporations or their respective nominees as at the Offer Announcement Date and excluding any Shares held by the Company as treasury shares); and*

*(r) The Offeror and the Consortium Members do not intend to support any action taken or to be taken to meet the Free Float Requirement or maintain the present listing status of the Company and the Offeror intends, and reserves its right, to take steps at an appropriate time, whether during or after the Offer, to seek a voluntary delisting of the Company from the SGX-ST, where permitted by, and in accordance with, the relevant requirements of the Listing Manual and the Code.*

***11. RECOMMENDATION***

*Based on our opinion, we advise the Independent Directors to recommend that Shareholders accept the Offer, unless Shareholders are able to obtain a price higher than the Offer Price on the open market, taking into account all the brokerage commissions or transactions costs in connection with open market transactions.*

*We also advise the Independent Directors to consider highlighting to the Shareholders that there is no assurance that the price of the Shares will remain at current levels after the close or lapse of the Offer and the current price performance of the Shares may not be indicative of the future price performance levels of the Shares.*

*Independent Directors should also note that transactions of the Shares are subject to possible market fluctuations and accordingly, our opinion on the Offer does not and cannot take into account the future transactions or price levels that may be established for the Shares since these are governed by factors beyond the ambit of our review.*

*This letter is addressed to the Independent Directors for their benefit, in connection with and for the purpose of their consideration of the financial terms of the Offer. The recommendation made by them to the Shareholders in relation to the Offer shall remain the sole responsibility of the Independent Directors.*

*Whilst a copy of this letter may be reproduced in the Circular, neither the Company nor the Directors may reproduce, disseminate or quote this letter (or any part thereof) for any other purpose at any time and in any manner without the prior written consent of PPCF in each specific case. This opinion is governed by, and construed in accordance with, the laws of Singapore, and is strictly limited to the matters stated herein and does not apply by implication to any other matter.*"

11.4 **Recommendation of the Independent Directors**

The Independent Directors, having considered carefully the terms of the Offer and the advice given by the IFA to the Independent Directors in the IFA Letter, **concur** with the advice of the IFA in respect of the Offer as set out in **Section 11.3** of this Circular and in the IFA Letter. Accordingly, the Independent Directors recommend that Shareholders **accept** the Offer, unless Shareholders are able to obtain a price higher than the Offer Price on the open market, taking into account all the brokerage commissions or transactions costs in connection with open market transactions. The Independent Directors also wish to highlight to Shareholders that there is no assurance that the price of the Shares will remain at the current levels after the close or lapse of the Offer and the current price performance of the Shares may not be indicative of the future price performance levels of the Shares.

**Shareholders are advised to read the terms and conditions of the Offer Document carefully. Shareholders are also advised to read and consider carefully the recommendation of the Independent Directors and the IFA Letter set out in Appendix I to this Circular in their entirety before deciding whether to accept or reject the Offer. Shareholders should note that the IFA's advice to the Independent Directors and the recommendation of the Independent Directors in respect of the Offer should not be relied upon by any Shareholder as the sole basis for deciding whether or not to accept the Offer.**

Shareholders should note that transactions of the Shares are subject to performance and prospects of the Group, prevailing economic conditions, economic outlook and possible market fluctuations and accordingly, the advice by the IFA to the Independent Directors on the Offer does not and cannot take into account the future transactions or price levels that may be established for the Shares since these are governed by factors beyond the ambit of the IFA's review.

In rendering the above advice and making the above recommendation, the IFA and the Independent Directors have not considered the specific investment objectives, financial situation, tax status, risk profiles or unique needs and constraints of any individual Shareholder. **As different Shareholders would have different investment profiles and objectives, the Independent Directors recommend that any individual Shareholder who may require specific advice in relation to his/her investment portfolio or objectives and/or the Offer should consult his/her stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately.**

## 12. ACTION TO BE TAKEN BY SHAREHOLDERS

Shareholders who **wish to accept the Offer** must do so not later than the Closing Date or such later date(s) as may be announced from time to time by or on behalf of the Offeror, abiding by the procedures for the acceptance of the Offer as set out in Appendix 2 to the Offer Document and in the accompanying FAA and/or FAT.

Acceptances should be completed and returned as soon as possible, and in any event, so as to be received on behalf of the Offeror:

(a) by the CDP (in respect of the FAA); or

(b) by the Share Registrar (in respect of the FAT),

as the case may be, not later than the Closing Date or such later date(s) as may be announced from time to time by or on behalf of the Offeror.

Shareholders who **do not wish to accept the Offer** need not take any further action in respect of the Offer Document, the FAA and/or the FAT which have been sent to them.

## 13. OVERSEAS SHAREHOLDERS

The availability of the Offer to Shareholders whose addresses are outside Singapore, as shown on the Register or, as the case may be, in the Depository Register (each, an "**Overseas Shareholder**"), may be affected by the laws of the relevant overseas jurisdiction. Overseas Shareholders should refer to Section 15 of the Offer Document, an extract of which is set out in italics below.

***"15. OVERSEAS SHAREHOLDERS***

***15.1 Overseas Shareholders.*** *This Offer Document, the relevant Acceptance Forms and/or any related documents do not constitute an offer to sell or buy any security, nor is it a solicitation of any vote or approval in any jurisdiction, nor shall there be any sale, issuance or transfer of the securities referred to in this Offer Document, the relevant Acceptance Forms and/or any related documents in any jurisdiction in contravention of applicable law.*

***For the avoidance of doubt, the Offer is open to all Shareholders, including those to whom this Offer Document, the relevant Acceptance Forms and/or any related documents may not be sent.***

*The availability of the Offer to Overseas Shareholders may be affected by the laws of the relevant overseas jurisdictions. Accordingly, Overseas Shareholders should inform themselves about, and observe, any applicable legal requirements in their own jurisdictions.*

***15.2 Copies of Documents.*** *Where there are potential restrictions on sending this Offer Document, the relevant Acceptance Forms and/or any related documents to any overseas jurisdictions, the Offeror and UOB each reserves the right not to send this Offer Document, the relevant Acceptance Forms and/or any related documents to such overseas jurisdictions. Any affected Overseas Shareholder may nonetheless obtain copies of this Offer Document, the relevant Acceptance Forms and/or any related documents during normal business hours from (i) CDP (if he is a Depositor) at* ***11 North Buona Vista Drive, #01-19/20 The Metropolis Tower 2, Singapore 138589****; or (ii) the office of the Receiving Agent (if he is holding Shares which are not deposited with CDP ("****in scrip form****") at* ***30 Cecil Street #19-08 Prudential Tower Singapore 049712****. Alternatively, an affected Overseas Shareholder may write to CDP (if he is a Depositor) or the Receiving Agent (if he is holding Shares in scrip form) to request for this Offer Document, the relevant Acceptance Forms and/or any related documents to be sent to an address in Singapore by ordinary post at his own risk, up to five Market Days prior to the Closing Date.*

***15.3 Overseas Jurisdiction.*** *It is the responsibility of any Overseas Shareholder who wishes to (i) request for this Offer Document, the relevant Acceptance Forms and/or any related document and (ii) accept the Offer to satisfy himself as to the full observance of the laws of the relevant jurisdictions in that connection, including the obtaining of any governmental or other consent which may be required, or compliance with other necessary formalities or legal requirements. Such Overseas Shareholder shall be liable for any such taxes, imposts, duties or other requisite payments payable in such jurisdictions and the Offeror, UOB, CDP, the Receiving Agent and/or any other person acting on its behalf shall be fully indemnified and held harmless by such Overseas Shareholder for any such taxes, imposts, duties or other requisite payments as the Offeror, UOB, CDP, the Receiving Agent and/or any other person acting on its behalf may be required to pay. In (i) requesting for this Offer Document, the relevant Acceptance Forms and/or any related documents and (ii) accepting the Offer, the Overseas Shareholder represents and warrants to the Offeror and UOB that he is in full observance of the laws of the relevant jurisdiction in that connection, and that he is in full compliance with all necessary formalities or legal requirements. If any Shareholder is in any doubt about his position, he should consult his professional adviser in the relevant jurisdiction.*

***15.4 Notice.*** *The Offeror and UOB each reserves the right to notify any matter, including the fact that the Offer has been made, to any or all of the Shareholders (including Overseas Shareholders) by announcement to the SGX-ST or paid advertisement in a daily newspaper published and circulated in Singapore, in which case, such notice shall be deemed to have been sufficiently given notwithstanding any failure by any Shareholder (including an Overseas Shareholder) to receive or see such announcement or advertisement.*"

Due to potential restrictions on sending this Circular to overseas jurisdictions, this Circular has not been and will not be sent to any Overseas Shareholder who has not provided, and will not provide, the Company with an address within Singapore at which notices or documents may be served upon him. Any affected Overseas Shareholder may nonetheless (subject to compliance with applicable laws) attend in person and obtain copies of this Circular during normal business hours and up to 5.30 p.m. (Singapore time) on the Closing Date, from the office of the Share Registrar at 30 Cecil Street #19-08 Prudential Tower Singapore 049712. Alternatively, an Overseas Shareholder may (subject to compliance with applicable laws) write to the Share Registrar at the above-stated address to request for this Circular to be sent to an address in Singapore by ordinary post at his own risk, up to five (5) Market Days prior to the Closing Date.

In requesting for this Circular and any related documents, each of the Overseas Shareholders represents and warrants to the Company that each of them is in full observance of the laws of the relevant jurisdiction in that connection, and that each of them is in full compliance with all necessary formalities or legal requirements.

## 14. INFORMATION PERTAINING TO CPFIS INVESTORS AND SRS INVESTORS

As stated in the Offer Document, CPFIS Investors and SRS Investors should receive further information on how to accept the Offer from their respective CPF Agent Banks and SRS Agent Banks directly. CPFIS Investors and SRS Investors are advised to consult their respective CPF Agent Banks and SRS Agent Banks should they require further information, and if they are in any doubt as to the action they should take, CPFIS Investors and SRS Investors should seek independent professional advice. CPFIS Investors and SRS Investors who wish to accept the Offer are to reply to their respective CPF Agent Banks and SRS Agent Banks by the deadline stated in the letter from their respective CPF Agent Banks and SRS Agent Banks, which may be earlier than the Closing Date.

CPFIS Investors and SRS Investors who validly accept the Offer through appropriate intermediaries will receive the payment of the Offer Price payable in respect of their Offer Shares in their CPF investment accounts and SRS investment accounts.

## 15. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of the Company at 30 Tai Seng Street, #09-01 BreadTalk IHQ, Singapore 534013 during normal business hours for the period during which the Offer remains open for acceptance:

(a) the Constitution of the Company;

(b) the IFA Letter as set out in **Appendix I** to this Circular;

(c) the letters of consent referred to in Paragraph 11.2 of **Appendix II** to this Circular;

(d) the annual reports of the Company for FY2016, FY2017 and FY2018;

(e) the Valuation Reports in respect of the Subject Properties;

(f) the audited consolidated financial statements of the Group for FY2018, as set out in **Appendix IV** to this Circular; and

(g) the FY2019 Results as set out in **Appendix V** of this Circular.

## 16. DIRECTORS' RESPONSIBILITY STATEMENT

Save for (a) the recommendation of the Independent Directors to Shareholders set out in **Section 11.4** of this Circular which is the sole responsibility of the Independent Directors, (b) the IFA Letter (for which the IFA takes responsibility), (c) information extracted from the Offer Announcement and the Offer Document and (d) information relating to the Offeror and the Consortium Members, the Directors (including any who may have delegated detailed supervision of this Circular) hereby jointly and severally accept full responsibility for the accuracy of the information contained in this Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed in this Circular have been arrived at after due and careful consideration and there are no other facts not contained in this Circular, the omission of which would make any statement in this Circular misleading.

Where any information in this Circular (other than the IFA Letter for which the IFA takes responsibility) has been extracted or reproduced from published or otherwise publicly available sources or obtained from the Offeror (including, without limitation, the Offer Announcement and/or the Offer Document), the sole responsibility of the Directors has been to ensure, through reasonable enquiries, that such information has been accurately and correctly extracted from such sources or, as the case may be, reflected or reproduced in this Circular in its proper form and context.

In respect of the IFA Letter, the sole responsibility of the Directors has been to ensure that the facts stated therein with respect to the Group are fair and accurate.

**17. ADDITIONAL INFORMATION**

The attention of the Shareholders is also drawn to the Appendices which form part of this Circular.

Yours faithfully

For and on behalf of the Board of Directors of
**BREADTALK GROUP LIMITED**

Mr. Ong Kian Min
Lead Independent Director

**LETTER FROM PRIMEPARTNERS CORPORATE FINANCE PTE. LTD.
TO THE INDEPENDENT DIRECTORS**

**PRIMEPARTNERS CORPORATE FINANCE PTE. LTD.**
16 Collyer Quay
#10-00 Income at Raffles
Singapore 049318

23 March 2020

To: The Independent Directors of
**BreadTalk Group Limited**
30 Tai Seng Street
#09-01 BreadTalk IHQ
Singapore 534013

Dear Sirs

**INDEPENDENT FINANCIAL ADVICE TO THE INDEPENDENT DIRECTORS IN RESPECT OF THE VOLUNTARY CONDITIONAL CASH OFFER BY UNITED OVERSEAS BANK LIMITED ("UOB"), FOR AND ON BEHALF OF BTG HOLDING COMPANY PTE. LTD. (THE "OFFEROR"), TO ACQUIRE ALL THE ISSUED ORDINARY SHARES IN THE CAPITAL OF BREADTALK GROUP LIMITED (THE "COMPANY" OR "BTG")**

*Unless otherwise defined or the context otherwise requires, all terms defined in the circular dated 23 March 2020 (the "**Circular**") shall have the same meaning herein.*

## 1. INTRODUCTION

On 24 February 2020 (the "**Offer Announcement Date**"), UOB, for and on behalf of the Offeror, announced that the Offeror intends to make a voluntary conditional cash offer (the "**Offer**") for all the issued ordinary shares (the "**Shares**") in the capital of the Company (the "**Offer Shares**") at S$0.77 in cash (the "**Offer Price**") for each Offer Share, other than those already owned, controlled or agreed to be acquired by the Offeror.

The Offeror will make the Offer for (i) all of the Shares in issue (excluding any treasury shares); and (ii) all new Shares unconditionally issued or to be issued, or treasury shares unconditionally delivered or to be delivered, as the case may be, pursuant to the valid vesting and release of any outstanding share awards (the "**BTG Awards**") granted under the BreadTalk Group Limited Restricted Share Grant Plan 2008 and the BreadTalk Group Limited Restricted Share Grant Plan 2018 (collectively, the "**BreadTalk RSG Plans**") on or prior to the final closing date of the Offer, in each case including any Shares owned, controlled or agreed to be acquired by parties acting or deemed to be acting in concert with the Offeror in relation to the Offer.

The Offeror, a special purpose vehicle incorporated in Singapore, is the bid vehicle for the Consortium Members (as defined herein) who have agreed, pursuant to a shareholders' agreement among the Consortium Members (the "**Shareholders' Agreement**"), to undertake the Offer through the Offeror. The Consortium Members are:

(a) Dr George Quek Meng Tong ("**GQ**"), Ms Katherine Lee Lih Leng ("**KL**"), Square Investment Pte. Ltd. ("**Square**" and, together with GQ and KL, the "**Co-Founders**") and Piece Investment Pte. Ltd. ("**Piece**"), which is a special purpose vehicle established by GQ and KL; and

(b) Primacy Investment Limited ("**Primacy**") and a directly wholly owned subsidiary of Primacy, Minor BT Holding (Singapore) Pte. Ltd. ("**Minor BT**"),

(collectively, the "**Consortium Members**").

As at the Offer Announcement Date, the Offeror has an initial issued and paid-up share capital of S$1,000 comprising 1,000 ordinary shares (each ordinary share in the capital of the Offeror being an "**Offeror Share**", and a holder thereof, an "**Offeror Shareholder**"), and Piece holds 74.9% of the Offeror Shares and Minor BT holds the remaining 25.1% of the Offeror Shares.

The Offer will be conditional on the Offeror having received, by the close of the Offer, valid acceptances (which have not been withdrawn) in respect of such number of Offer Shares which will result in the Offeror and parties acting or deemed to be acting in concert with it holding more than 90.0% of the total number of Shares in issue (excluding any treasury shares) as at the close of the Offer (including any Shares which may be unconditionally issued or delivered pursuant to the valid vesting and release of the outstanding BTG Awards prior to the close of the Offer) (the "**Acceptance Condition**").

It is the intention of the Co-Founders and Primacy (collectively, the "**Reinvestment Undertaking Shareholders**") to retain their existing direct and/or indirect equity interests in the Company through subscribing for new shares in the Offeror. To this end, each of the Reinvestment Undertaking Shareholders has given an irrevocable undertaking (collectively, the "**Reinvestment Irrevocable Undertakings**") to the Offeror to, *inter alia*:

(a) tender all the Shares that it/he/she holds in aggregate as at the date of the Reinvestment Irrevocable Undertakings and any other Shares which it/he/she may subsequently acquire (directly or indirectly or through a nominee) after the date of the Reinvestment Irrevocable Undertakings, in acceptance of the Offer by such date as may be designated by the Offeror after the date the Offer becomes or is declared unconditional in all respects in accordance with the procedures prescribed in the Offer Document and the relevant form(s) of acceptance accompanying it; and

(b) reinvest the entire amount of the consideration due to it/him/her for its/his/her Shares under the Offer to subscribe, indirectly, through Piece (in respect of the Co-Founders) or Minor BT (in respect of Primacy), as the case may be, for new Offeror Shares (as defined below) at a subscription price based on the Offer Price by such date as may be designated by the Offeror after the close of the Offer or, in the event the Offeror becomes entitled to and exercises its right under Section 215(1) of the Companies Act, Chapter 50 of Singapore (the "**Companies Act**") to compulsorily acquire all the Shares of the dissenting shareholders (the "**Compulsory Acquisition**"), after the date of completion of such compulsory acquisition (or such other date as may be agreed between the Offeror and such Reinvestment Undertaking Shareholder).

The Reinvestment Undertaking Shareholders hold in aggregate 397,143,308 Shares, representing approximately 70.53% of the Company as at the Latest Practicable Date.

In the event that the Offeror becomes entitled to exercise its right of Compulsory Acquisition under Section 215(1) of the Companies Act, the Offeror intends to exercise such rights. In such event, the Company will become a wholly-owned subsidiary of the Offeror and the Offeror will then proceed to delist the Company from the SGX-ST.

PrimePartners Corporate Finance Pte. Ltd. ("**PPCF**") has been appointed by the Company to advise the Independent Directors in respect of the Offer. This letter sets out, *inter alia*, our views and evaluation of the financial terms of the Offer, and our opinion thereon, and forms part of the Circular providing, *inter alia*, details of the Offer and the recommendation of the Independent Directors.

**2. TERMS OF REFERENCE**

We have been appointed to advise the Independent Directors on the financial terms of the Offer in compliance with the provisions of The Singapore Code on Take-overs and Mergers (the "**Code**"). We have confined our evaluation to the financial terms of the Offer and have not taken into account the commercial risks and/or commercial merits of the Offer.

Our terms of reference do not require us to evaluate or comment on the rationale for, or the strategic or long-term merits of the Offer or on the future prospects of the Company and its subsidiaries (the "**Group**") or the method and terms by which the Offer is made or any other alternative methods by which the Offer may be made. Such evaluations and comments remain the sole responsibility of the Directors, although we may draw upon their views or make such comments in respect thereof (to the extent deemed necessary or appropriate by us) in arriving at our opinion as set out in this letter.

We are not authorised and we have not solicited, any indications of interest from any third party with respect to the Offer. We are therefore not addressing the relative merits of the Offer as compared to any alternative transaction that may be available to the Company (or its Shareholders), or as compared to any alternative offer that might otherwise be available in the future.

In the course of our evaluation of the financial terms of the Offer, we have relied on, and assumed without independent verification, the accuracy and completeness of published information relating to the Group. We have also relied on information provided and representations made, including relevant financial analyses and estimates, by the management of the Company (the "**Management**"), the Directors, the Company's solicitors and auditors. We have not independently verified such information or any representation or assurance made by them, whether written or verbal, and accordingly cannot and do not make any representation or warranty, express or implied, in respect of, and do not accept any responsibility for, the accuracy, completeness or adequacy of such information, representation or assurance. We have nevertheless made such enquiries and exercised our judgement as we deemed necessary and have found no reason to doubt the reliability of the information.

We have relied upon the assurances of the Directors that, upon making all reasonable inquiries and to the best of their respective knowledge, information and belief, all material information in connection with the Offer and the Company has been disclosed to us, that such information is true, complete and accurate in all material respects and that there is no other information or fact, the omission of which would cause any information disclosed to us or the facts of or in relation to the Company stated in the Circular to be inaccurate, incomplete or misleading in any material respect. The Directors jointly and severally accept responsibility accordingly.

For the purposes of assessing the financial terms of the Offer and reaching our conclusions thereon, we have not relied upon any financial projections or forecasts in respect of the Company. We will not be required to express, and we do not express, any view on the growth prospects and earnings potential of the Company in connection with our opinion in this letter.

We have not made any independent evaluation or appraisal of the assets and liabilities (including, without limitation, property, plant and equipment, investment properties and investment securities) of the Group. As such, we have relied on the disclosures and representations made by the Company on the values of the assets and liabilities and profitability of the Group and no representation or warranty, expressed or implied, is made and no responsibility is accepted by us concerning the accuracy, completeness or adequacy of such information.

Our opinion as set out in this letter is based upon market, economic, industry, monetary and other conditions in effect on, and the information provided to us as at 13 March 2020 (the "**Latest Practicable Date**"). Such conditions may change significantly over a relatively short period of time. We assume no responsibility to update, revise or reaffirm our opinion in light of any subsequent development after the Latest Practicable Date that may affect our opinion contained herein. Shareholders should further take note of any announcements relevant to their consideration of the Offer which may be released by the Company and/or the Offeror after the Latest Practicable Date.

In rendering our opinion, we did not have regard to the specific investment objectives, financial situation, tax status, risk profiles or unique needs and constraints of any individual Shareholder. As each Shareholder would have different investment objectives and profiles, we would advise the Independent Directors to recommend that any individual Shareholder who may require specific advice in relation to his investment objectives or portfolio should consult his stockbroker, bank manager, solicitor, accountant or other professional adviser immediately. As such, our opinion should not be the sole basis for deciding whether or not to accept the Offer.

The Company has been separately advised by its own advisers in the preparation of the Circular (other than this letter). Accordingly, we take no responsibility for and express no views, express or implied, on the contents of the Circular (other than this letter).

**Our opinion in respect of the Offer, as set out in paragraph 10 of this letter, should be considered in the context of the entirety of this letter and the Circular.**

## 3. THE OFFER

Shareholders should have by now received a copy of the Offer Document, as announced by UOB to have been despatched on 9 March 2020 ("**Despatch Date**"), setting out, *inter alia*, the terms and conditions of the Offer. The principal terms and conditions of the Offer are set out in paragraphs 2 and 3 of the Offer Document. **Shareholders are advised to read the terms and conditions of the Offer set out in the Offer Document carefully.**

A copy of the Offer Document is available on SGXNET at www.sgx.com.

### 3.1 Offer Price

As stated in paragraph 2.2 of the Offer Document, the consideration for each Offer Share is as follows:

**FOR EACH OFFER SHARE: S$0.77 in cash.**

### 3.2 Offer Shares

The Offeror is making the Offer for:

(a) all of the Shares in issue (excluding any treasury shares); and

(b) all new Shares unconditionally issued or to be issued, or treasury shares unconditionally delivered or to be delivered, as the case may be, pursuant to the valid vesting and release of any outstanding BTG Awards granted under the BreadTalk RSG Plans on or prior to the Closing Date, in each case including any Shares owned, controlled or agreed to be acquired by parties acting or deemed to be acting in concert with the Offeror in relation to the Offer. For the purposes of the Offer and for the avoidance of doubt, the expression "Offer Shares" shall include all such Shares.

### 3.3 No Encumbrances

As stated in paragraph 2.4 of the Offer Document, the Offer Shares are to be acquired:

(a) fully paid;

(b) free from all Encumbrances; and

(c) together with all rights, benefits and entitlements attached thereto as at the Offer Announcement Date and thereafter attaching thereto, including the right to receive and retain (if any) all Distributions announced, declared, paid or made by the Company on or after the Offer Announcement Date.

### 3.4 Adjustment for Distributions

As stated in paragraph 2.5 of the Offer Document, if any Distribution is announced, declared, paid or made by the Company on or after the Offer Announcement Date to a Shareholder who accepts or has accepted the Offer and the settlement date in respect of the Shares accepted pursuant to the Offer falls after the books closure date for the determination of entitlements to such Distribution, the Offeror reserves the right to reduce the Offer Price payable to such Accepting Shareholder by the amount of such Distribution.

### 3.5 Acceptance Condition

As stated in paragraph 2.6 of the Offer Document, the Offer is conditional on the Offeror having received, by the close of the Offer, valid acceptances (which have not been withdrawn) in respect of such number of Offer Shares which will result in the Offeror and parties acting or deemed to be acting in concert with it holding more than 90% of the total number of Shares in issue (excluding any treasury shares) as at the close of the Offer (including any Shares which may be unconditionally issued or delivered pursuant to the valid vesting and release of the outstanding BTG Awards prior to the close of the Offer) (the "**Acceptance Condition**").

Accordingly, the Offer will not become or be capable of being declared unconditional as to acceptances until the close of the Offer, unless at any time prior to the close of the Offer, the Offeror has received valid acceptances in respect of such number of Offer Shares which will result in the Offeror and parties acting or deemed to be acting in concert with it holding such number of Shares amounting to more than 90% of the maximum potential issued share capital of the Company. For this purpose, the "**maximum potential issued share capital of the Company**" means the total number of Shares which would be in issue (excluding treasury shares) had all the outstanding BTG Awards, which may vest and be released during the offer period, been validly vested and released as at the date of such declaration.

The Offeror reserves the right to reduce the Acceptance Condition to a level which is more than 50% of the total number of Shares (as required by Rule 15.1 of the Code), subject to the consent of the Securities Industry Council ("**SIC**"). In the event that the Acceptance Condition is revised, the conditions for the SIC's consent will include (i) the revised Offer being kept open for at least 14 days following the posting of the written notification to Shareholders of such revision; and (ii) Shareholders who have accepted the initial Offer will be allowed to withdraw their acceptance within eight (8) days of the notification of such revision.

Save for the Acceptance Condition, the Offer is unconditional in all other respects.

### 3.6 BTG Awards

As at the Latest Practicable Date, the Company confirms that there are up to 422,237 BTG Awards outstanding. Under the rules of the BreadTalk RSG Plans, the outstanding BTG Awards are personal to the holders of the outstanding BTG Awards and are not transferable. In view of this restriction, the Offeror will not make an offer to acquire the outstanding BTG Awards. For the avoidance of doubt, the Offer is extended to all new Shares unconditionally issued or to be issued, or treasury shares unconditionally delivered or to be delivered, as the case may be, pursuant to the valid vesting and release of any outstanding BTG Awards on or prior to the Closing Date.

**3.7 No Options**

As at the Latest Practicable Date, based on the latest information available to the Offeror, save as disclosed above, the Company has confirmed that there are no outstanding options exercisable in respect of the Shares.

**3.8 Warranty**

As stated in paragraph 2.9 of the Offer Document, a Shareholder who tenders his Offer Shares in acceptance of the Offer will be deemed to unconditionally and irrevocably warrant that he sells such Offer Shares as or on behalf of the beneficial owner(s) thereof (i) fully paid; (ii) free from all Encumbrances; and (iii) together with all rights, benefits and entitlements attached thereto as at the Offer Announcement Date and thereafter attaching thereto, including the right to receive and retain (if any) all Distributions announced, declared, paid or made by the Company in respect of the Offer Shares on or after the Offer Announcement Date.

**3.9 First Closing Date**

The Offer is open for acceptance by Shareholders for at least 28 days from the Despatch Date, unless the Offer is withdrawn with the consent of the SIC and every person is released from any obligation incurred thereunder. **Accordingly, the Offer will close at 5.30 p.m. (Singapore time) on 6 April 2020, or such later date(s) as may be announced from time to time by or on behalf of the Offeror.**

**3.10 Further details of the Offer**

Further details of the Offer are set out in paragraphs 2 and 3 and Appendix 1 to the Offer Document, including details on (i) the duration of the Offer; (ii) the settlement of the consideration for the Offer; (iii) the requirements relating to the announcement of the level of acceptances of the Offer; and (iv) the right of withdrawal of acceptances of the Offer.

**4. INFORMATION ON THE OFFEROR AND THE CONSORTIUM**

The information on the Offeror and the Consortium as set out below in italics has been extracted from paragraph 5 of the Offer Document. Unless otherwise defined, all terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document.

"***5. INFORMATION ON THE OFFEROR AND THE CONSORTIUM MEMBERS***

***5.1 The Offeror.*** *The Offeror, a special purpose vehicle incorporated in Singapore, is the bid vehicle for the Consortium Members, namely (i) the Co-Founders, (ii) Piece, (iii) Primacy, and (iv) Minor BT, for the purposes of the Offer pursuant to the Shareholders' Agreement.*

*The Shareholders' Agreement sets out the proposed terms of the shareholder and governance arrangements between Piece and Minor BT in respect of the Offeror, in relation to the Offer and following completion of the Offer, including reserved matters requiring the prior written approval of Minor BT.*

*As at the Latest Practicable Date, the board of directors of the Offeror comprises four members, consisting of three representatives of Piece, being GQ, KL and Mr Jonathan Quek, and one representative of Minor BT, being Mr Stephen Chojnacki (each a "**Consortium Representative**" and collectively, the "**Consortium Representatives**"). After the close of the Offer, the Consortium Representative in relation to Minor BT will be Mr Soh Chin Hua (in place of Mr Stephen Chojnacki).*

*As at the Latest Practicable Date, the Offeror has an initial issued and paid-up share capital of S$1,000 comprising 1,000 ordinary shares (each ordinary share in the capital of the Offeror being an "**Offeror Share**", and a holder thereof, an "**Offeror Shareholder**"), and Piece holds 74.9 per cent. of the Offeror Shares and Minor BT holds the remaining 25.1 per cent. of the Offeror Shares. As set out in **Section 7.1.2** of this Offer Document, Piece and Minor BT will subscribe for additional Offeror Shares pursuant to the Reinvestments. It is intended that following completion of the Reinvestments, Piece and Minor BT will continue to hold the same percentage shareholding of Offeror Shares that they currently hold.*

*As at the Latest Practicable Date, the Offeror does not have any existing interest in Shares.*

***Appendix 3** to this Offer Document sets out additional information on the Offeror.*

***5.2 Co-Founders and Piece.** GQ is the chairman and an executive director of the Company, and KL, who is the wife of GQ, is the deputy chairman and an executive director of the Company.*

*GQ and KL are each a substantial shareholder of the Company. GQ has a direct interest in 191,375,320 Shares, representing approximately 33.99 per cent. of the Company, and KL has a direct interest in 104,830,040 Shares, representing approximately 18.62 per cent. of the Company.*

*In addition, GQ and KL each have a deemed interest in 20,983,348 Shares, representing approximately 3.73 per cent. of the Company, in which Square has a direct interest. Square is an investment holding company incorporated in Singapore with an issued and paid-up share capital of S$2 comprising two ordinary shares (the "**Square Shares**"). GQ and KL each hold one Square Share, representing 50 per cent. of the share capital of Square.*

*Piece is an investment holding company incorporated in Singapore with an issued and paid-up share capital of S$2 comprising two ordinary shares (the "**Piece Shares**"). GQ and KL each hold one Piece Share, representing 50 per cent. of the share capital of Piece.*

*As at the Latest Practicable Date, Piece does not have any existing interest in the Shares.*

***Appendix 4** to this Offer Document sets out additional information on Piece.*

***5.3 Minor BT.*** *Minor BT is an investment holding company incorporated in Singapore and a directly wholly owned subsidiary of Primacy. Primacy is a substantial shareholder of the Company and holds 79,954,600 Shares, representing approximately 14.20 per cent. of the Company. Primacy is a wholly owned subsidiary of Minor Food, which is in turn 99.73 per cent. owned by Minor International.*

*Minor International is a company listed on the Stock Exchange of Thailand (SET: MINT). Minor International is one of the largest hospitality and leisure companies in the Asia Pacific region. Minor International operates over 520 hotels and resorts, 2,200 restaurants and 480 retail trading points of sale, in Thailand and in 62 markets across the Asia Pacific, the Middle East, Africa, the Indian Ocean, Europe and the Americas.*

*Mr Stephen Chojnacki, who is the Consortium Representative in relation to Minor BT, is the Authorised Representative of Minor BT and the General Counsel and Chief Commercial Officer of Minor International.*

*Mr Soh Chin Hua, who will be the Consortium Representative in relation to Minor BT after the close of the Offer, is the chairman and chief executive officer of Minor Food Group Singapore. Minor Food Singapore is Minor International's Singapore-based food business and is 92.0 per cent. owned by Primacy. Mr Soh Chin Hua is also a director of the Company.*

*As at the Latest Practicable Date, Minor BT does not have any existing interest in the Shares.*"

## 5. INFORMATION ON THE COMPANY

The information on the Company as set out below in italics has been extracted from paragraph 6 of the Offer Document. Unless otherwise defined, all terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document.

"***6. INFORMATION ON THE COMPANY***

*The Company is incorporated in Singapore and listed on the Main Board of the SGX-ST. The Company, its subsidiaries and associated companies are a global food and beverage ("**F&B**") lifestyle group, managing 13 different F&B brands, with close to 1,000 outlets spanning 16 countries, supported by a global staff strength of 7,000.*

*As at the Latest Practicable Date, the board of directors of the Company comprises six members, consisting of GQ, KL, Mr Soh Chin Hua, Mr Ong Kian Min, Mr Chan Soo Sen and Dr Tan Khee Giap.*

***Appendix 5*** *to this Offer Document sets out additional information on the Company."*

## 6. IRREVOCABLE UNDERTAKING

The information on the Irrevocable Undertakings as set out below in italics has been extracted from paragraph 7 of the Offer Document. Unless otherwise defined, all terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document.

"*7. **IRREVOCABLE UNDERTAKINGS***

*7.1 **Reinvestment Irrevocable Undertakings.** It is the intention of the Co-Founders and Primacy (collectively, the "**Reinvestment Undertaking Shareholders**") to retain their existing direct and/or indirect equity interests in the Company through subscribing for new Offeror Shares. To this end, each of the Reinvestment Undertaking Shareholders has given an irrevocable undertaking (collectively, the "**Reinvestment Irrevocable Undertakings**") to the Offeror to, inter alia:*

***7.1.1*** *tender all the Shares that it/he/she holds in aggregate as at the date of the Reinvestment Irrevocable Undertakings and any other Shares which it/he/she may subsequently acquire (directly or indirectly or through a nominee) after the date of the Reinvestment Irrevocable Undertakings, in acceptance of the Offer by such date as may be designated by the Offeror after the date the Offer becomes or is declared unconditional in all respects in accordance with the procedures prescribed in this Offer Document and the relevant Acceptance Forms; and*

***7.1.2*** *reinvest the entire amount of the consideration due to it/him/her for its/his/her Shares under the Offer to subscribe, indirectly, through Piece (in respect of the Co-Founders) or Minor BT (in respect of Primacy), as the case may be, for new Offeror Shares at a subscription price based on the Offer Price by such date as may be designated by the Offeror after the close of the Offer or, in the event the Offeror becomes entitled to and exercises its right under Section 215(1) of the Companies Act to compulsorily acquire all the Shares of the Dissenting Shareholders (as defined herein), after the date of completion of such compulsory acquisition (or such other date as may be agreed between the Offeror and such Reinvestment Undertaking Shareholder) (the "**Reinvestments**").*

*As at the Latest Practicable Date, the Reinvestment Undertaking Shareholders collectively hold 397,143,308 Shares, representing approximately 70.53 per cent. of the Company. Details of the Shares held by the Reinvestment Undertaking Shareholders that will be tendered in acceptance of the Offer and the amount of consideration entitled to which will be applied pursuant to the Reinvestments are set out below:*

| *No.* | *Reinvestment Undertaking Shareholder* | *No. of Shares to be tendered in acceptance of the Offer* | *Percentage of the total number of Shares (%)* | *Amount of consideration entitled to, which will be applied to subscribe indirectly for new Offeror Shares (S$)* |
|---|---|---|---|---|
| *1.* | *GQ* | *191,375,320* | *33.99* | *147,358,996.40* |
| *2.* | *KL* | *104,830,040* | *18.62* | *80,719,130.80* |
| *3.* | *Square* | *20,983,348* | *3.73* | *16,157,177.96* |
| *4.* | *Primacy* | *79,954,600* | *14.20* | *61,565,042.00* |
| ***Total*** | | *397,143,308* | *70.53* | *305,800,347.16* |

*7.2* ***Termination.*** *The Reinvestment Irrevocable Undertakings will terminate or lapse upon the earlier of:*

*(i) the Offer being withdrawn or lapsing;*

*(ii) the Offeror failing to release the Offer Announcement within three Business Days from the date of the Reinvestment Irrevocable Undertakings or such other date as may be extended by mutual written agreement of the Offeror (on the one hand) and the relevant Reinvestment Undertaking Shareholders (on the other hand), subject to the requirements of the Code; and*

*(iii) the Offer not being formally made by the Offeror (by the posting of the Offer Document) within the time period prescribed under the Code (or such later date as the SIC may permit).*

*7.3* ***SIC Confirmation.*** *Pursuant to an application made by the Offeror to the SIC to seek certain rulings in relation to the Offer, the SIC has confirmed that the Shareholders' Agreement, the Reinvestment Irrevocable Undertakings and the Reinvestments do not constitute a special deal for the purposes of Rule 10 of the Code.*

*7.4* ***No Undertakings.*** *As at the Latest Practicable Date, save for the Reinvestment Irrevocable Undertakings, neither the Offeror nor any party acting in concert with the Offeror has received any irrevocable undertaking from any party to accept or reject the Offer."*

## 7. RATIONALE FOR THE OFFER AND THE OFFEROR'S INTENTIONS IN RELATION TO THE COMPANY

The full text of the rationale for the Offer and the Offeror's intentions in relation to the Company has been extracted from paragraphs 8 and 9 of the Offer Document and is set out in italics below. Unless otherwise defined, all terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document.

"*8. **RATIONALE FOR THE OFFER***

***8.1 Opportunity for Shareholders to Exit their Investment in the Shares at a Compelling Premium.*** *The Offer Price represents a premium of approximately 30.1 per cent., 24.0 per cent. and 25.0 per cent. over the VWAP per Share for the one-month, three-month and six-month periods respectively up to and including the Last Trading Day and a premium of approximately 19.4 per cent. over the closing price per Share of S$0.645 as quoted on the SGX-ST on the Last Trading Day. Against the backdrop of a challenging macro and operating environment which had negatively impacted the Group's businesses in China, Hong Kong and Thailand, the Offer represents an attractive cash exit opportunity for Shareholders to liquidate and realise their entire investment at a premium to the prevailing market prices, without incurring brokerage and other trading costs.*

***8.2 Greater Management Flexibility.*** *The Offeror is making the Offer with a view to delist the Company from the SGX-ST and exercise its rights of compulsory acquisition. The Offeror believes that privatising the Company will provide the Offeror with more flexibility to address the challenges facing the Group, as well as to manage the business of the Company and optimise the use of the Company's management and resources.*

***8.3 Costs of Maintaining Listing Status.*** *In maintaining its listed status, the Company incurs compliance and associated costs relating to continuing listing requirements under the Listing Manual. In the event that the Company is delisted from the SGX-ST, the Company will be able to save on expenses and costs relating to the maintenance of a listed status and channel such resources to its business operations.*

***8.4 No Necessity for Access to Equity Capital Markets.*** *The Company has not carried out any exercise to raise equity capital on the SGX-ST in the last 10 years. The Company is unlikely to require access to Singapore equity capital markets to finance its operations in the foreseeable future as the Company has various other available funding sources such as bank borrowing facilities. Accordingly, it is not necessary for the Company to maintain a listing on the SGX-ST.*

***9. OFFEROR'S INTENTIONS IN RELATION TO THE COMPANY***

*Following the successful close of the Offer, the Offeror intends to undertake a review of the Company's business activities with a view to streamlining such business activities. The Offeror intends for the Company to refocus on and strengthen core business activities and explore potential corporate actions including the disposal of non-core property assets.*

*Save as set out above, the Offeror intends for the Company to continue its existing business activities and there are currently no plans to (i) introduce any major changes to the business of the Company, (ii) re-deploy any of the fixed assets of the Company or (iii) discontinue the employment of any of the existing employees of the Company or its subsidiaries, other than in the ordinary course of business. However, the Offeror retains and reserves the right and flexibility at any time and from time to time to consider any options or opportunities in relation to the Company which may present themselves and which the Offeror may regard to be in the best interests of the Company.*"

## 8. ASSESSMENT OF THE FINANCIAL TERMS OF THE OFFER

In assessing the fairness and reasonableness of the financial terms of the Offer, we have considered the following factors which we consider to be pertinent and to have a significant bearing on our assessment of the Offer:

(a) Historical market price performance and trading activity of the Shares;

(b) Share price performance relative to market indices;

(c) Historical financial performance and financial position of the Group;

(d) Historical trailing valuation multiples of the Shares;

(e) Valuation ratios of selected listed companies broadly comparable to the Group;

(f) Selected precedent privatisation and delisting transactions in Singapore;

(g) Analysts' estimates and price targets for the Company; and

(h) Dividend track record of the Company.

We have also considered other relevant considerations which have a significant bearing on our assessment as set out in paragraph 9 of this letter.

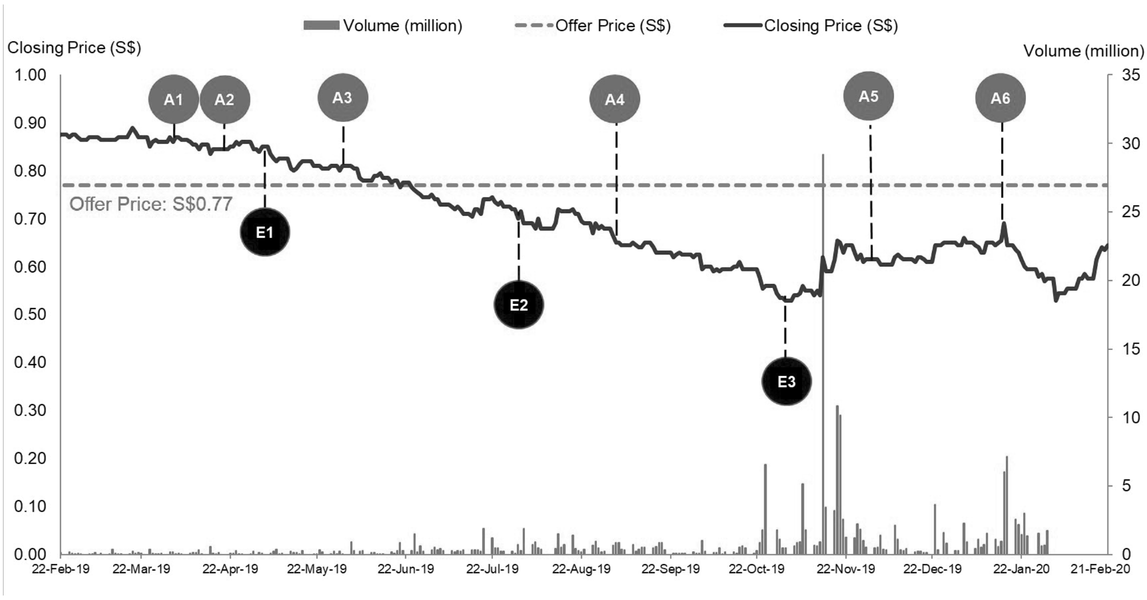
**The figures, underlying financial and market data used in our analysis, including securities prices, trading volumes, free float data and foreign exchange rates have been extracted from Bloomberg L.P., SGX-ST and other publicly available information as at the Latest Practicable Date or as provided by the Company where relevant. PPCF makes no representations or warranties, express or implied, as to the accuracy or completeness of such information.**

### 8.1 Historical market price performance and trading activity of the Shares

In our evaluation of whether the financial terms of the Offer are fair and reasonable, we have taken into consideration the historical share price performance of the Company over a reasonable period of time. In Exhibit 1 below, we have compared the Offer Price to the daily closing price and trading volume of the Shares for the 1-year period between 22 February 2019 and 21 February 2020 (the "**Last Full Trading Day**") being the last full market day[1] immediately prior to the Offer Announcement Date. We have also marked certain dates in the 1-year period where significant events occurred.

[1] As the Company had requested for a trading halt on 24 February 2020 prior to the close of trading on that day, 21 February 2020 would be the last full market day immediately prior to the Offer Announcement Date.

**Exhibit 1 – Daily closing price and daily trading volume of the Shares for 1-year period up to and including the Last Full Trading Day**




*Sources: Bloomberg L.P. and the Company's announcements on the SGXNET*

**Earnings announcements:**

**E1.** **6 May 2019.** The Company announced its unaudited financial results for the three-month financial period ended 31 March ("**1Q**") 2019. The Group's revenue increased by approximately 6.1% from S$148.5 million in 1Q2018 to S$157.6 million in 1Q2019, led by growth across all business divisions. Excluding the effects of the consolidation of revenue from the Group's bakery business in Thailand following the acquisition of the 50.0% interest in BTM (Thailand) Ltd from Minor Food Group, the revenue from the Bakery Division would have been lower by approximately 5.7% as compared to 1Q2018. Following the adoption of Singapore Financial Reporting Standards (International) ("**SFRS(I)**") 16 for the financial year ended 31 December ("**FY**") 2019, the Group's earnings before interest, tax, depreciation and amortisation ("**EBITDA**") during 1Q2019 was S$47.2 million, being approximately 188.9% higher than in 1Q2018, as a significant portion of lease-related expense previously classified as operating expenses are now recognised as depreciation and interest expense. Profit after tax and minority interests ("**PATMI**") for 1Q2019 increased by 11.5% from S$1.2 million in 1Q2018 to S$1.3 million in 1Q2019. The disposal of the Group's entire interests in Carl Karcher Enterprises (Cayman) Ltd in 1Q2019, which had been loss-making, reduced the losses from share of results of associates by approximately 81.9% from S$0.3 million in 1Q2018 to S$0.05 million in 1Q2019.

**E2.** **1 August 2019**. The Company announced its unaudited financial results for the six-month financial period ended 30 June ("**1H**") 2019. The Group's 1H2019 revenue increased by 7.9% from S$297.4 million in 1H2018 to S$321.0 million in 1H2019, led by growth across all business divisions. The Group's PATMI declined by approximately 35.3% from $3.6 million in 1H2018 to $2.3 million in 1H2019. This was mainly due to (i) lower revenue from both the direct operated stores and the franchise business in China under the Bakery Division; (ii) higher operating costs for the Restaurant Division in Singapore and United Kingdom; (iii) start-up costs related to new outlets under its 4orth Division; and (iv) an increase in overall interest expense for 1H2019 of approximately 131.6% as compared to 1H2018 following the adoption of SFRS(I) 16.

**E3.** **12 November 2019**. The Company announced its unaudited financial results for the nine-month financial period ended 30 September ("**3Q**") 2019. The Group's 3Q2019 revenue increased by approximately 8.7% from S$455.0 million in 3Q2018 to S$494.6 million in 3Q2019, led by growth across all business divisions. The Group's PATMI declined by approximately 54.8% from S$6.3 million in 1Q2018 to S$2.9 million in 1Q2019. This was mainly attributable to (i) lower revenue from direct operated stores and the franchise business in China under the Bakery Division; (ii) decline in store sales in the Food Atrium Division for Hong Kong due to the ongoing social unrest; (iii) start-up costs for new outlets and below expectation performance in certain outlets under the 4orth Division; and (iv) increase in overall interest expense of approximately 161.0% to S$18.0 million in 3Q2019 following the adoption of SFRS(I) 16.

**Other significant announcements:**

**A1.** **9 April 2019**. The Company announced that its wholly-owned subsidiary, BTG Vault Pte. Ltd. ("**BTG Vault**") had, on 8 April 2019, entered into sale and purchase agreements for the acquisition of a strategic interest in NPPG (Thailand) Public Company Limited ("**NPPG**") ("**Proposed Acquisition of NPPG**"). NPPG is listed on the Stock Exchange of Thailand, which produces and distributes flexible plastic packing for consumer products, and has expanded its business scope to food and restaurants. Upon the completion of the Proposed Acquisition of NPPG, NPPG will become an associated company of BTG Vault. The Proposed Acquisition of NPPG shall be carried out over two (2) tranches, where the first tranche will comprise 285.0 million shares and the second tranche will comprise 95.0 million shares. The total consideration for the Proposed Acquisition of NPPG is Thailand Baht ("**THB**") 570 million based on the sale price of THB1.5 per share.

**A2.** **17 April 2019**. The Company announced that it established a S$500,000,000 multicurrency medium term note programme (the "**2019 Programme**"). The net proceeds arising from the issue of the notes under the 2019 Programme (after deducting issue expenses) may be used for general corporate purposes, including refinancing of existing borrowings, and financing capital expenditure and general working capital of the Group or such other purpose(s).

**A3.** **30 May 2019**. The Company announced that BTG-Song Fa Venture Pte. Ltd., a joint venture between the Company's wholly-owned subsidiary, Together Inc Pte Ltd, and Song Fa Holdings Pte Ltd ("**Song Fa**"), officially opened its first outlet in CentralWorld in Bangkok on 26 March 2019, and overall, the seventh outlet under this partnership. The Company had also through its wholly-owned subsidiary, Food Republic Taiwan Co. Ltd. ("**Food Republic Taiwan**"), entered into a franchise agreement with Song Fa to introduce the Song Fa Bak Kut Teh brand of restaurants in Taiwan, China to leverage on the growth momentum. Under this agreement, Food Republic Taiwan will hold franchise rights to develop and operate the brand in Taiwan over the next 10 years.

**A4.** **2 September 2019**. The Company announces that its wholly-owned subsidiary, Topwin Investment Holding Pte Ltd ("**Topwin**") had, on 30 August 2019, entered into a sale and purchase agreement for the proposed acquisition of the entire issued share capital of Food Junction Management Pte Ltd ("**FJM**") from Food Junction Holdings Limited ("**FJH**") ("**FJM Proposed Acquisition**"). The total consideration in relation to the FJM Proposed Acquisition is S$80.0 million (the "**FJM Consideration**"), with the FJM Consideration being subject to further customary adjustments as at the completion of the FJM Proposed Acquisition. The FJM Consideration will be paid in cash and will be funded through the Group's internal resources (including available cash on hand) and debt facilities. The FJM Proposed Acquisition is conditional upon, amongst others, the written ruling or decision from the Competition and Consumer Commission of Singapore that the FJM Proposed Acquisition does not infringe Section 54 of the Competition Act, Chapter 50B of Singapore. The Company had on 31 October 2019 announced the completion of the FJM Proposed Acquisition.

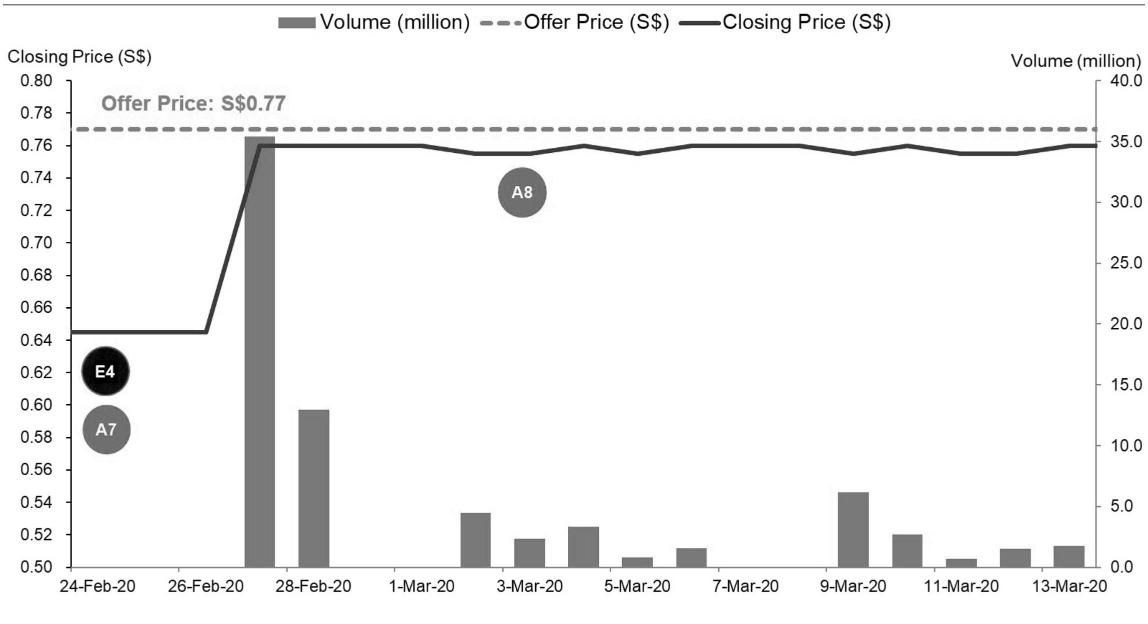
**A5.** **2 December 2019**. The Company announced that the joint venture agreement ("**JV Agreement**") entered into between its wholly-owned subsidiary, BreadTalk International Pte. Ltd. ("**BTI**") and PT. Pura Indah Berkat ("**PT PIB**") (collectively, "**JV Partners**"), has been terminated based on mutual agreement by the JV Partners ("**JV Termination**"). Upon the completion of the JV Termination, PT PIB would transfer its 30.0% equity interest in the joint venture company, PT BTG Pura Indah Berkat Venture ("**JV Company**"), to BreadTalk Pte. Ltd. ("**BPL**"), a wholly-owned subsidiary of the Company. Accordingly, BTI and BPL respectively hold 70.0% and 30.0% of the shares of the JV Company.

**A6.** **16 January 2020**. The Company announced a profit guidance after preliminary assessment in relation to its unaudited financial results for FY2019. The Group's expected net loss is mainly attributable to the (i) widening of losses at the bakery business in China and Thailand; (ii) widening of losses across several brands within the 4orth Division; and (iii) significant deterioration in the financial performance of the Group's businesses in Hong Kong across both the Bakery and Food Atrium Divisions due to the social unrest.

Based on Exhibit 1 above, we note that over the last one (1) year prior and up to the Last Full Trading Day, save for the period between 22 February 2019 and 23 June 2019, the closing prices of the Shares had been consistently below the Offer Price of S$0.77 per Share between 24 June 2019 and the Last Full Trading Day.

We set out below the daily closing prices and daily trading volumes of the Shares for the period as at or after the Offer Announcement Date up to the Latest Practicable Date.

**Exhibit 2 – Daily closing price and daily trading volume of the Shares from the Offer Announcement Date up to the Latest Practicable Date**




*Sources: Bloomberg L.P. and the Company's announcements on the SGXNET*

**Earnings announcements:**

**E4.** **24 February 2020**. The Company announced its unaudited financial results for FY2019 ("**FY2019 Financial Results Announcement**"). The Group's revenue increased by approximately 9.0% from S$609.8 million in FY2018 to S$664.9 million in FY2019, led by growth across all business divisions. The Group recorded a loss after tax and minority interests of S$5.2 million in FY2019 as compared to a PATMI in FY2018 of $15.2 million. This was mainly attributable to (i) a loss before tax ("**PBT loss**") of S$13.5 million from the Bakery Division in FY2019 as compared to a profit before tax of S$5.2 million in FY2018 primarily arising from a one-off fixed assets impairment due to pre-mature outlet closures, inventory obsolescence, franchise income doubtful debt provisions and the full year consolidation of the loss-making Thailand bakery business post-acquisition from Minor Food Group; (ii) a decrease in the profit from the Food Atrium Division mainly due to higher lease-related depreciation from the adoption of SFRS(I) 16, weaker profitability in China and Hong Kong and losses incurred in Taiwan and Cambodia; (iii) the 4orth Division reporting a PBT loss of S$10 million mainly due to start-up costs for new outlets and below expectation performance in certain outlets; and (iv) increase in overall interest expense of approximately 139.7% to S$22.1 million for FY2019 following the adoption of SFRS(I) 16.

**Significant announcements:**

**A7.** **24 February 2020**. The Company announced a technical breach of financial covenants in the S$100 million 4.0% fixed rates notes due 2023 (the "**Notes**") issued under the S$250,000,000 multicurrency medium term note programme (the "**Programme**") of the Company ("**Technical Breach**").

**A8.** **3 March 2020**. The Company responded to queries by the SGX-ST on the FY2019 Financial Results Announcement in respect of, *inter alia*, (i) the breakdown and explanation for the increase in other income for the 12 months' comparison period; (ii) the breakdown of the one-off fixed assets impairment due to pre-mature outlet closures, inventory obsolescence and franchise income doubtful debt provisions; (iii) the explanation and quantification of increase in distribution and selling expenses and administrative expenses; (iv) the nature of investment securities; (v) the breakdown and variances of trade and other receivables; and (vi) the explanation for the increase in intangible assets' balance.

Based on Exhibit 2 above, we note that the last transacted price of the Shares on 21 February 2020 (being the Last Full Trading Day prior to the Offer Announcement Date) was S$0.645. On 27 February 2020 (being the Market Day after the lifting of the trading halt), the price of the Shares rose to close at S$0.760. From 27 February 2020 to the Latest Practicable Date, the daily closing price of the Shares were between S$0.755 and S$0.760, representing a discount of between approximately 1.3% and 1.9% to the Offer Price.

We have also set out below in Exhibit 3 the premium implied by the Offer Price over the historical volume weighted average price ("**VWAP**") and historical trading volume of the Shares from 22 February 2019 (being the 1-year period up to and including the Last Full Trading Day) to the Latest Practicable Date.

**Exhibit 3 – Premium/(discount) implied by the Offer Price to VWAP(1)**

| | VWAP(1) (S$) | Premium of Offer Price over VWAP (%) | Highest closing price (S$) | Lowest closing price (S$) | Average daily trading volume ("ADTV")(2) | ADTV as a percentage of free float(2) (3) (%) |
|---|---|---|---|---|---|---|
| **Periods up to and including the Last Full Trading Day** | | | | | | |
| 1-year VWAP | 0.639 | 20.5 | 0.890 | 0.530 | 890,977 | 0.54 |
| 6-month VWAP | 0.616 | 25.0 | 0.695 | 0.530 | 1,463,109 | 0.88 |
| 3-month VWAP | 0.621 | 24.0 | 0.690 | 0.530 | 1,362,462 | 0.82 |
| 1-month VWAP | 0.592 | 30.1 | 0.645 | 0.530 | 1,559,073 | 0.94 |
| Last Full Trading Day | 0.645(4) | 19.4 | 0.650(5) | 0.630(5) | 3,326,100 | 2.01 |
| **Periods after the Offer Announcement Date up to and including the Latest Practicable Date** | | | | | | |
| Between the Offer Announcement Date and the Latest Practicable Date | 0.757 | 1.7 | 0.760 | 0.755 | 4,904,080 | 2.96 |
| Latest Practicable Date | 0.760(6) | 1.3 | 0.760(7) | 0.750(7) | 1,718,100 | 1.04 |

*Source: Bloomberg L.P.*

**Notes:**

(1) The VWAP has been weighted based on the average traded price of the Shares and traded volume for the relevant trading days for each period as obtained from Bloomberg L.P..

(2) The ADTV of the Shares is calculated based on the total volume of Shares traded during the period divided by the number of market days during that period.

(3) Free float refers to approximately 165.7 million Shares, representing approximately 29.4% of the issued Shares, held by the public (as defined under the Listing Manual of the SGX-ST) as at the Latest Practicable Date based on the Company's annual report and the Offer Document.

(4) On 21 February 2020, being the Last Full Trading Day, the last transacted price and VWAP were S$0.645 and S$0.644 respectively.

(5) On 21 February 2020, being the Last Full Trading Day, the highest and lowest intra-day traded price were S$0.650 and S$0.630 respectively.

(6) On 13 March 2020, being the Latest Practicable Date, the last transacted price and VWAP were S$0.760 and S$0.754 respectively.

(7) On 13 March 2020, being the Latest Practicable Date, the highest and lowest intra-day traded price were S$0.760 and S$0.750 respectively.

Based on the above, we note the following:

(a) The Offer Price is within the range of the daily closing price of the Shares over the 1-year period up to and including the Last Full Trading Day, which is between a low of S$0.530 per Share and a high of S$0.890 per Share;

(b) The Offer Price represents a premium of approximately 20.5%, 25.0%, 24.0% and 30.1% over the 1-year, 6-month, 3-month and 1-month VWAP of the Shares respectively;

(c) The Offer Price represents a premium of approximately 19.4% over the last transacted price of S$0.645 on the Last Full Trading Day prior to the Offer Announcement Date;

(d) Between the Offer Announcement Date and the Latest Practicable Date, the Offer Price represents a premium of approximately 1.7% to the VWAP of the Shares of approximately S$0.757. The Offer Price also represents a premium of approximately 1.3% over the last transacted price of S$0.760 on the Latest Practicable Date; and

(e) For the 1-year, 6-month, 3-month and 1-month periods, the ADTV of the Shares ranged from 890,977 Shares to 1,559,073 Shares. The ADTV as a percentage of the Company's free float ranged between 0.54% and 0.94%. Between the Offer Announcement Date and the Latest Practicable Date, trading volume of the Shares rose significantly to an ADTV of approximately 4,904,080 Shares, representing approximately 2.96% of the Company's free float, as compared to the average daily trading volume of approximately 890,977 Shares over the 1-year period up to and including the Last Full Trading Day.

Based on the above observations, it appears likely that the market price and the trading volume of the Shares have been supported by the Offer subsequent to the Offer Announcement Date. Shareholders should note that the Offer will not become or be capable of being declared unconditional until the Acceptance Condition is met or in the event that the Offeror reduces the Acceptance Condition to a level which is more than 50.0%. As such, there is no assurance that the market price and trading volume of the Shares will be maintained at the prevailing level as at the Latest Practicable Date after the close of the Offer. **Shareholders should note that the past trading performance of the Shares should not, in any way, be relied upon as an indication or a promise of its future trading performance.**

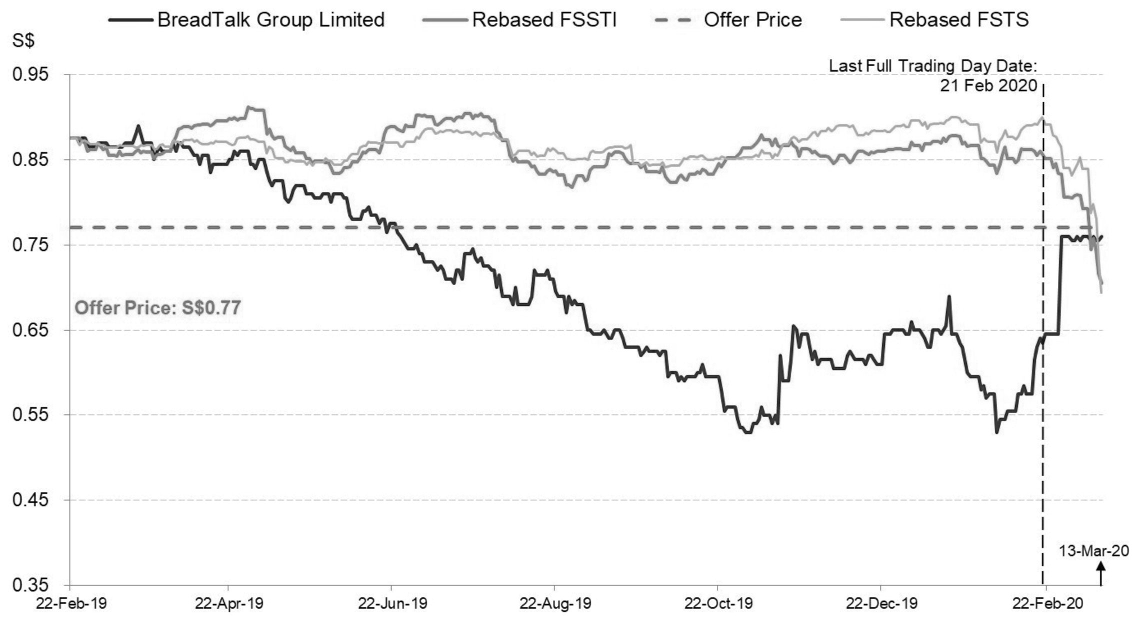
We wish to highlight that the market valuation of shares traded on a stock exchange may be affected by, *inter alia*, its relative liquidity, the size of its free float, the extent of research coverage, the investor interest it attracts, the prevailing economic conditions, economic outlook and the general market sentiment at a given point in time.

### 8.2 Share price performance relative to market indices

To gauge the market price performance of the Shares relative to the general share price performance of the Singapore equity market, we have compared the market price movement of the Shares against the (i) FSSTI, which is a market capitalisation weighted index based on stocks of 30 representative companies listed on the Main Board of the SGX-ST; and (ii) FTSE ST Small Cap Index (the "**FSTS**"), which comprised small capitalised companies not covered by the FTSE ST Large & Mid cap Index and represents approximately 12% of total market capitalisation of companies listed on the SGX-ST.

The market price performance of the Shares relative to the rebased FSSTI and FSTS for the period from 22 February 2019 (being the 1-year period up to and including the Last Full Trading Day) up to and including the Latest Practicable Date, is illustrated below in Exhibit 4.

**Exhibit 4 – Share price performance against the FSSTI and FSTS (rebased)**




*Source: Bloomberg L.P.*

We have also set out in the table below the movements in the last transacted prices of the Shares and the rebased FSSTI and FSTS between the Last Full Trading Day and the Latest Practicable Date:

| | As at the Last Full Trading Day (S$) | As at the Latest Practicable Date (S$) | Percentage change (%) |
|---|---|---|---|
| Shares | 0.645 | 0.760 | 17.8 |
| Rebased FSSTI | 0.851 | 0.705 | -17.2 |
| Rebased FSTS | 0.892 | 0.694 | -22.2 |

*Source: Bloomberg L.P.*

Based on the above, we note the following:

(a) Save for the period between 22 February 2019 and 4 April 2019, the Shares had generally under-performed the FSSTI and FSTS during the 1-year period up to and including the Last Full Trading Day;

(b) Between the Last Full Trading Day and the Latest Practicable Date, the Shares generally outperformed the FSSTI, having increased by approximately 17.8% as compared to a decrease of approximately 17.2% in the rebased FSSTI over the same period; and

(c) Between the Last Full Trading Day and the Latest Practicable Date, the Shares generally outperformed the FSTS, having increased by approximately 17.8% as compared to a decrease of approximately 22.2% in the rebased FSTS over the same period.

The above observation reinforces our view that the market price of the Shares appears to have been supported by the Offer subsequent to the Offer Announcement Date.

### 8.3 Historical financial performance and financial position of the Group

#### 8.3.1 Historical financial performance of the Group

For the purpose of evaluating the financial terms of the Offer, we have considered the Group's audited financial statements for FY2017 and FY2018 and the Group's unaudited financial statements for FY2019. The summary of the financial results of the Group for FY2017, FY2018 and FY2019 is set out in Exhibit 5, Exhibit 6 and Exhibit 7 below. The following summary financial information should be read in conjunction with the full text of the annual reports and financial results announcements of the Company in respect of the relevant financial years including the notes thereto.

**Exhibit 5 – Summary financial information of the Group**

| S$'000[1] | FY2017 (Audited) | FY2018 (Audited) | FY2019 (Unaudited) |
|---|---|---|---|
| **Summary of income statement and statement of comprehensive income** | | | |
| **Total revenue** | **599,579** | **609,796** | **664,930** |
| **Gross profit** | **333,114** | **343,146** | **369,503** |
| *Gross profit margin* | *55.6%* | *56.3%* | *55.6%* |
| **Profit before tax ("PBT")** | **40,796** | **31,143** | **7,829** |
| *PBT margin* | *6.8%* | *5.1%* | *1.2%* |
| **(Loss)/profit after tax ("LAT" or PAT")** | **29,749** | **19,718** | **(3,865)** |
| *(LAT)/PAT margin* | *5.0%* | *3.2%* | *(0.6)%* |
| **(Loss)/profit attributable to Shareholders** | **21,680** | **15,191** | **(5,245)** |
| *(Loss)/profit margin (excludes non-controlling interests)* | *3.6%* | *2.5%* | *(0.8)%* |

**Exhibit 5 – Summary financial information of the Group**

| S$'000(1) | FY2017 (Audited) | FY2018 (Audited) | FY2019 (Unaudited) |
|---|---|---|---|
| **Summary of statement of cash flows** | | | |
| Net cash from operating activities | 77,550 | 65,630 | 170,811 |
| Net cash (used in) investing activities | (30,992) | (51,503) | (151,430) |
| Net cash from/(used in) financing activities | (24,446) | 30,024 | (46,753) |
| **Net increase/(decrease) in cash and cash equivalents** | **22,112** | **44,151** | **(27,372)** |

*Sources: The Company's annual reports for FY2017 and FY2018 and the FY2019 Financial Results Announcement*

**Note:**

(1) Any discrepancies in the tables in Exhibits 5, 6 and 7, between the total sum of amounts listed and the totals thereof are due to rounding. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them.

**Exhibit 6 – Revenue of the Group by operating segments**

| S$'000(1) | FY2017 (Audited) | FY2018 (Audited) | FY2019 (Unaudited) |
|---|---|---|---|
| **Bakery** | **297,020** | **282,004** | **287,738** |
| *Percentage of revenue* | *49.5%* | *46.2%* | *47.2%* |
| **Food Atrium** | **149,346** | **156,895** | **165,269** |
| *Percentage of revenue* | *24.9%* | *25.7%* | *27.1%* |
| **Restaurant** | **140,732** | **152,316** | **175,173** |
| *Percentage of revenue* | *23.5%* | *25.0%* | *28.7%* |
| **4orth** | **7,859** | **14,173** | **32,479** |
| *Percentage of revenue* | *1.3%* | *2.3%* | *5.3%* |
| **Others** | **4,622** | **4,408** | **4,271** |
| *Percentage of revenue* | *0.8%* | *0.7%* | *0.7%* |
| **Total revenue** | **599,579** | **609,796** | **664,930** |

*Sources: The Company's annual reports for FY2017 and FY2018 and the FY2019 Financial Results Announcement*

**Note:**

(1) Amounts set out in Exhibit 6 above in relation to the revenue by operating segments do not include inter-segment revenue, which amounted to approximately S$3.5 million, S$7.9 million and S$29.9 million for FY2017, FY2018 and FY2019 respectively.

| Exhibit 7 – Revenue of the Group by geographical segments | | | |
|---|---|---|---|
| S$'000(1) | FY2017 (Audited) | FY2018 (Audited) | FY2019 (Unaudited) |
| **Singapore** | **340,144** | **352,643** | **371,962** |
| *Percentage of revenue* | *56.7%* | *57.8%* | *55.9%* |
| **Mainland China** | **152,405** | **160,406** | **150,655** |
| *Percentage of revenue* | *25.4%* | *26.3%* | *22.6%* |
| **Thailand** | **–** | **23,160** | **49,442** |
| *Percentage of revenue* | *–* | *3.8%* | *7.4%* |
| **Hong Kong** | **53,908** | **50,980** | **53,546** |
| *Percentage of revenue* | *9.0%* | *8.4%* | *8.0%* |
| **Rest of the world** | **53,122** | **22,607** | **40,325** |
| *Percentage of revenue* | *8.9%* | *3.7%* | *6.1%* |
| **Total revenue** | **599,579** | **609,796** | **664,930** |

*Sources: The Company's annual reports for FY2017 and FY2018 and the FY2019 Financial Results Announcement*

**Note:**

(1) Amounts set out in Exhibit 7 above in relation to the total revenue by geography segments do not include inter-segment revenue.

*FY2018 as compared to FY2017*

The Group's revenue increased by approximately 1.7% from S$599.6 million in FY2017 to $609.8 million in FY2018 mainly due to growth from the Food Atrium Division, Restaurant Division and 4orth Division which was partially offset by a decrease in revenue from the Bakery Division.

The revenue from the Bakery Division decreased by approximately 5.1% to S$282.0 million in FY2018 mainly due to lower revenue from direct operated stores in Shanghai, Beijing and Hong Kong and lower franchise revenue from China. This was partially offset by higher revenue from Singapore and higher international franchise revenue. Accordingly, the profit from this segment decreased by approximately 45.8% to S$5.2 million in FY2018.

The revenue from the Food Atrium Division increased by approximately 5.1% to S$156.9 million in FY2018 mainly due to (i) a net increase in food atrium outlets; (ii) aggressive addition of new revenue stream; (iii) same store sale growth had also remained strong. Accordingly, the profit from this segment increased by approximately 86.1% to S$16.8 million in FY2018.

The revenue from the Restaurant Division increased by approximately 8.2% to S$152.3 million in FY2018 mainly due to a net increase in outlets. However, the profit from this segment decreased by approximately 9.3% to S$23.3 million mainly due to higher staff and administrative costs related to the start-up of the Group's operations in the United Kingdom.

The revenue from the 4orth Division increased by approximately 80.3% to S$14.2 million in FY2018. However, the loss from this segment increased from S$0.4 million in FY2017 to S$3.9 million in FY2018 mainly due to pre-opening expenses incurred arising from the opening of several new outlets in the fourth quarter of FY2018.

The Group's interest expense increased by approximately 69.9% to S$9.2 million for FY2018 mainly due to higher total debt as the Group issued S$100 million of the 5-year, 4.00% medium term note in January 2018, in anticipation of its capital expenditure requirements for FY2018 and FY2019. In addition, the share of results of associates and joint ventures were weaker in FY2018, contributing a combined loss of S$1.8 million in FY2018 as compared to a profit of S$0.2 million in FY2017. The Group's recognised a net capital gain of S$9.3 million from the divestment of the Group's investment in TripleOne Somerset in FY2017 which did not recur in FY2018.

The Group recorded profit attributable to Shareholders decreased by approximately 29.9% from S$21.7 million in FY2017 to S$15.2 million in FY2018. Correspondingly, the net profit margin also decreased from 3.6% to 2.5%.

*FY2019 as compared to FY2018*

The Group's revenue increased by approximately 9.0% from S$609.8 million in FY2018 to $664.9 million in FY2019, led by growth across all business divisions.

The revenue from the Bakery Division increased by approximately 2.0% to S$287.7 million in FY2019 mainly due to the consolidation of revenue from the Thailand Bakery business following the acquisition of the 50% interest in BTM (Thailand) Ltd from Minor Food Group. Excluding the revenue from the Thailand Bakery business, revenue would have been lowered by approximately 6.3% mainly due to lower revenue from both the direct operated stores and franchise business in China, partly offset by stronger revenue by the direct operated stores in Singapore and the international franchise business. The Bakery Division incurred (i) a $6.1 million in one-off fixed assets impairment due to pre-mature outlet closures, inventory obsolescence, franchise income doubtful debt provisions; (ii) widening of operating losses at the China and Hong Kong Bakery and Indonesia ToastBox businesses; (iii) losses arising from the consolidation of the Thailand Bakery business post-acquisition; and (iv) decline in the profitability of the bakery business in Singapore. Accordingly, the Group recorded a loss from this segment of S$13.5 million in FY2019 as compared to a profit of S$5.2 million in FY2018.

The revenue from the Food Atrium Division increased by approximately 5.3% to S$165.3 million in FY2019 mainly due to contribution in revenue of S$7.8 million following the completion of the FJM Proposed Acquisition. For FY2019, the segment recorded (i) higher lease-related depreciation following the adoption of SFRS(I) 16 in FY2019; (ii) weaker profitability in China; (iii) weaker profitability in Hong Kong due to the social unrest; and (iv) losses incurred in Taiwan and Cambodia. Accordingly, the profit from this segment decreased by approximately 19.3% to S$13.5 million in FY2019.

The revenue from the Restaurant Division increased by approximately 15.0% to S$173.2 million in FY2019 mainly due to an increase in outlets. Accordingly, the profit from this segment increased by approximately 0.2% to S$23.4 million in FY2019.

The revenue from the 4orth Division increased by approximately 129.2% to S$32.5 million in FY2019 mainly due to the commencement of the Group's Song Fa Bak Kut Teh operations in Beijing, Guangzhou and Bangkok, as well as the deepening of the brands' presence in Shanghai. However, the loss from this segment increased by approximately 177.1% to S$10.8 million in FY2019 as a result of start-up costs for new outlets and below expectation performance in certain outlets.

The Group's interest expense increased by approximately 139.7% to S$22.1 million for FY2019 mainly due to the adoption of SFRS(I) 16 which resulted in the recognition of lease-related interest expense attributed to the amortisation of the lease liabilities on the balance sheet, and is unrelated to the Group's bank borrowings or Notes in issue.

The Group recorded loss attributable to Shareholders of S$5.2 million in FY2019 as compared to a profit attributable to Shareholders of S$15.2 million in FY2018. Correspondingly, the Group recorded net loss margin of 0.8% for FY2019 as compared to a net profit margin of 3.6% for FY2018.

**8.3.2 Historical financial position of the Group**

Net Asset Value ("**NAV**") of the Group

The NAV of a group refers to the aggregate value of all the assets in their existing condition, net of a non-controlling interests and all liabilities of a group. The NAV approach may provide an estimate of the value of a group assuming the hypothetical sale of all of its assets over a reasonable period of time, the proceeds of which would be first used to settle liabilities of that group with the balance available for distribution to its shareholders. Therefore, the net assets of a group are perceived as providing support for the value of shareholders' equity.

Notwithstanding the foregoing, Shareholders should note that an analysis based on the NAV of the Group provides an estimate of the value of the Group based on a hypothetical scenario, and such hypothetical scenario is assumed without considering factors such as, *inter alia*, time value of money, market conditions, legal and professional fees, liquidation costs, taxes contractual obligations, regulatory requirements and availability of potential buyers, which would theoretically lower the NAV that can be realised. While the asset base of the Group can be a basis for valuation, such a valuation does not necessarily imply a realisable market value as the market value of the assets and liabilities may vary depending on prevailing market and economic conditions.

The unaudited statement of financial position of the Group as at 31 December 2019 is set out in Exhibit 9 below:

**Exhibit 8 – Unaudited statement of financial position of the Group as at 31 December 2019**

| S$'000 | As at 31 Dec 2019 (Unaudited) |
|---|---|
| **Non-current assets** | |
| Property, plant and equipment | 712,464 |
| Investment property | 39,196 |
| Intangible assets | 94,490 |
| Investment securities | 73,610 |
| Investment in subsidiaries | – |
| Investment in associates | 25,764 |
| Investment in joint ventures | 6,107 |
| Other receivables | 1,770 |
| Due from related corporations | – |
| Deferred tax assets | 1,969 |
| | 955,370 |
| **Current assets** | |
| Investment securities | 36,166 |
| Inventories | 15,118 |
| Trade and other receivables | 79,621 |
| Prepayments | 8,564 |
| Tax recoverable | 884 |
| Due from related corporations | 2,507 |
| Amount due from minority shareholders of subsidiaries | 1,408 |
| Cash and cash equivalents | 157,587 |
| | 301,855 |
| **Current liabilities** | |
| Trade and other payables | 105,659 |
| Other liabilities | 80,773 |
| Provision for reinstatement cost | 21,319 |
| Due to related corporations | 2,206 |
| Loan from a minority shareholder of a subsidiary | 200 |
| Short term loans | 137,910 |
| Notes payables | 99,601 |
| Current portion of long-term loans | 109,409 |
| Tax payable | 14,515 |
| Lease liabilities | 151,570 |
| | 723,162 |
| **Net current (liabilities)** | **(421,307)** |

| Exhibit 8 – Unaudited statement of financial position of the Group as at 31 December 2019 | |
|---|---|
| S$'000 | As at 31 Dec 2019 (Unaudited) |
| **Non-current liabilities** | |
| Long-term loans | – |
| Notes payables | – |
| Loan from a minority shareholder of a subsidiary | 111 |
| Other liabilities | 16 |
| Deferred tax liabilities | 14,274 |
| Lease liabilities | 336,685 |
| | 351,086 |
| Net assets | 182,977 |
| | |
| **Share capital and reserves** | |
| Share capital | 33,303 |
| Treasury shares | (415) |
| Accumulated profits | 67,820 |
| Other reserves | 46,649 |
| | 147,357 |
| Non-controlling interests | 35,620 |
| Total equity | 182,977 |
| | |
| Number of issued Shares | 563,067,342 Shares |
| **NAV per Share (S$)** | **0.262** |
| **Premium of Offer Price over the NAV per Share** | **193.9%** |

*Sources: The FY2019 Financial Results Announcement and PPCF analysis*

Based on the table above, we note that the Offer Price represents a premium of approximately 193.9% to the unaudited NAV per Share of the Company of S$0.262 as at 31 December 2019.

We have also set out details on certain assets of the Group as at 31 December 2019 below:

*Property, plant and equipment ("**PPE**")*

PPE of approximately S$712.5 million accounted for approximately 56.7% of the Group's total assets as at 31 December 2019. The Group's PPE comprise (i) right-of-use assets; (ii) leasehold property; (iii) leasehold land; (iv) machinery and equipment; (v) electrical works; (vi) furniture and fittings; (vii) office equipment; (viii) renovation; (ix) motor vehicles; and (x) construction-in-progress.

The Group's right-of-use assets of approximately S$457.2 million represented approximately 64.2% of the Group's PPE. The right-of-use assets were accounted for due to the adoption of the SFRS(I) 16 by the Company and the Group as a result of adopting the new and revised SFRS(I) which are effective for its financial year beginning 1 January 2019. SFRS(I) 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Group, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and the corresponding lease liabilities representing its obligation to make lease payments.

The Group's leasehold land and properties of approximately S$118.8 million represented approximately 16.7% of the Group's PPE. The Group's leasehold land and properties comprise (i) the Group's office and headquarters in Singapore ("**IHQ**") of S$116.0 million; (ii) a residential property in Beijing, China ("**Beijing Property**") of approximately S$0.5 million; and (iii) a residential property in Hong Kong ("**HK Property**") of approximately S$2.3 million.

We understand that the Group had adopted the revaluation model for its leasehold land and leasehold properties in accordance with SFRS(I) 16 and the Group has commissioned independent valuations of its leasehold land and leasehold properties for the purpose of preparation of the Group's audited financial statements for FY2019 and accordingly no independent valuation was undertaken and given in connection with the Offer. We note that the value of IHQ of S$116.0 million is based on the market value as at 31 December 2019 determined by an independent valuer, while the Beijing Property and HK Property are recorded at cost after accumulated depreciation of S$0.5 million and S$2.3 million respectively as at 31 December 2019 as the valuation reports were still not available as at the date of the release of the FY2019 Financial Results Announcement. We note that the Beijing Property and HK Property represented in aggregate approximately 0.4% and 0.2% of the Group's PPE and total assets respectively as at 31 December 2019 and are not significant in relation the Group's asset value.

As at the Latest Practicable Date, we note that the market value of the Beijing Property was approximately RMB37.96 million (equivalent to approximately S$7.3 million) as at 31 December 2019 as determined by an independent valuer. Having considered the market value of the Beijing Property of approximately S$7.3 million, we note that (i) the aggregate value of the Group's leasehold property and properties would be S$125.7 million as at 31 December 2019, which is only approximately 5.7% higher than the value of S$118.8 million as at 31 December 2019; and (ii) the adjustments to the unaudited NAV and NAV per share of the Group as at 31 December 2019 would be S$154.2 million ("**Adjusted NAV**") and S$0.274 per share respectively and that the Offer Price represents a premium of approximately 181.0% to the Adjusted NAV.

*Investment properties*

Investment properties of approximately S$39.2 million represented approximately 3.1% of the Group's total assets as at 31 December 2019. The Group owned two (2) investment properties ("**Investment Properties**"), namely (i) office space located in Shanghai; and (ii) a shophouse in Singapore, which are both currently rented out to third-party tenants. We note in the FY2019 Financial Results Announcement that the Group's Investment Properties have been revalued to as at 31 December 2019 in accordance with the SFRS(I) 16. We note that the Investment Properties are based on the market value as at 31 December 2019 determined by its independent valuers. Such valuations were also commissioned for preparation of the audited financial statements for FY2019 and accordingly no independent valuation was undertaken and given in connection with the Offer.

*Investment securities*

Investment securities of approximately S$109.8 million represented approximately 8.7% of the Group's total assets as at 31 December 2019. The Group's investment securities comprise junior bonds, unquoted and quoted equity instruments. We understand from the Management that the value of the investment securities set out in FY2019 Financial Results Announcement are measured as at fair value as at 31 December 2019 in accordance with SFRS(I) 9.

Net Tangible Assets ("**NTA**") of the Group

The Group recorded intangible assets of approximately S$94.5 million as at 31 December 2019 representing approximately 7.5% of the Group's total assets. The Group's intangible assets comprise substantially of the provisional goodwill amount of approximately S$85.3 million from the consolidation of FJM in relation to the completion of the FJM Proposed Acquisition which is subject to finalisation of the purchase price allocation exercise ("**PPA Exercise**") to be completed in FY2020. As at the Latest Practicable Date, the Management confirms that the PPA Exercise has not been completed. The Group's remaining intangible assets include brand value, trademark, franchise rights and location premium which are determined to have finite useful lives and are amortised on a straight-line basis over their respective estimated economic useful lives and assessed for any impairment.

The Group also recorded deferred tax assets of approximately S$2.0 million as at 31 December 2019 representing approximately 0.2% of the Group's total assets and deferred tax liabilities of S$14.3 million. The deferred tax assets can be recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be utilised.

Given the non-physical nature of such assets, the assessment of the value that can be derived from the intangible assets and deferred tax assets generally involves a higher level of uncertainty. Therefore, the NTA as presented below in Exhibit 9, which excludes intangibles, deferred tax assets and deferred tax liabilities, may be considered to provide more substantive support than NAV for the value of Shareholders' equity in the event of a hypothetical sale of all of the Group's assets over a reasonable period of time.

**Exhibit 9 – Unaudited NTA of the Group**

| **S$'000** | **As at 31 December 2019 (Unaudited)** |
|---|---|
| **NAV attributable to the Shareholders (excluding non-controlling interests)** | **147,357** |
| (-) Intangible assets | (94,490) |
| (-) Deferred tax assets | (1,969) |
| + Deferred tax liabilities | 14,274 |

| Exhibit 9 – Unaudited NTA of the Group | |
|---|---|
| **S$'000** | **As at 31 December 2019 (Unaudited)** |
| **NTA attributable to Shareholders (excluding non-controlling interests)** | **65,172** |
| **Adjusted NTA[1] attributable to Shareholders (excluding non-controlling interests)** | **71,968** |
| Number of issued Shares | 563,067,342 Shares |
| **NTA per Share (S$)** | **0.116** |
| **Adjusted NTA per Share (S$)** | **0.128** |
| **Premium of Offer Price over the NTA per Share** | **563.8%** |
| **Premium of Offer Price over the Adjusted NTA per Share** | **501.6%** |

*Sources: The FY2019 Financial Results Announcement and PPCF analysis*

**Note:**

(1) Based on the Adjusted NAV of the Group of approximately S$154.2 million.

The unaudited NTA of the Group attributable to Shareholders and unaudited NTA per Share as at 31 December 2019 was approximately S$65.2 million and S$0.116 respectively, while the unaudited Adjusted NTA of the Group attributable to Shareholders and unaudited Adjusted NTA per Share as at 31 December 2019 was approximately S$72.0 million and S$0.128 respectively. Accordingly, the Offer Price of S$0.77 per Share represents a premium of approximately 563.8% and 501.6% to the unaudited NTA per Share and unaudited Adjusted NTA per Share as at 31 December 2019.

In our evaluation of the financial terms of the Offer, we have also considered whether there is any other asset which should be valued at an amount that is materially different from that as recorded in the Group's unaudited Statement of Financial Position as at 31 December 2019 and whether there are any factors which have not been otherwise disclosed in the financial statements of the Group that may have a material impact on the unaudited NAV or NTA of the Group as at 31 December 2019.

Save as disclosed in this letter and information on the Group, which is publicly available (including without limitation the announcement, financial statements and annual reports released by the Company on the SGXNET), the Directors have confirmed that as at the Latest Practicable Date and to the best of their knowledge and belief:

(a) there are no material differences between the realisable values of the Group's assets and their respective book values as at the Latest Practicable Date which would have a material impact on the unaudited NAV of the Group as at 31 December 2019;

(b) they are not aware of any circumstances which may cause the NAV of the Group as at the Latest Practicable Date to be materially different from that recorded in the unaudited Statement of Financial Position of the Group as at 31 December 2019;

(c) there have been no material disposals or acquisitions of assets by the Group between 31 December 2019 and the Latest Practicable Date, and the Group does not have any definite plans for such impending material disposal or acquisition of assets, conversion of the use of the Group's material assets or material change in the nature of the Group's business where such assets are owned, controlled and managed by the Group;

(d) there are no indicators of impairment on the intangible assets that would require the Group to perform further impairment tests;

(e) there are no contingent liabilities, bad or doubtful debts or impairment losses or material events which are likely to have a material impact on the unaudited NAV of the Group as at 31 December 2019;

(f) there are no litigation, claim or proceedings pending or threatened against the Group or of any fact likely to give rise to any proceedings as at the Latest Practicable Date which would have an adverse material impact on the financial position of the Group; and

(g) there are no other intangible assets as at the Latest Practicable Date which ought to be disclosed in the Statement of Financial Position of the Group in accordance with the SFRS(I) and which have not been disclosed that would have a material impact on the unaudited NAV of the Group as at 31 December 2019.

Total indebtedness of the Group

The Group recorded total indebtedness of approximately S$835.5 million as at 31 December 2019, representing approximately 77.8% of the Group's total liabilities. The Group's total indebtedness comprises bank borrowings, notes payable, a loan from a minority shareholder of a subsidiary and lease liabilities. A breakdown of the Group's indebtedness is set out in Exhibit 10 below:

**Exhibit 10 – Total indebtedness of the Group**

| **S$'000** | **As at 31 December 2019 (Unaudited)** |
|---|---|
| **Current** | |
| Loan from a minority shareholder of a subsidiary | 200 |
| Short-term loans | 137,910 |
| Note payables | 99,601 |
| Current portion of long-term loans | 109,409 |
| Lease liabilities | 151,570 |
| **Non-current** | |
| Loan from a minority shareholder of a subsidiary | 111 |
| Lease liabilities | 336,685 |
| **Total indebtedness** | 835,486 |
| **Total indebtedness (excluding lease liabilities)** | 347,231 |

*Sources: The FY2019 Financial Results Announcement and PPCF analysis*

We noted that the Group recorded short-term and long-term lease liabilities of approximately S$151.6 million and S$336.7 million respectively as at 31 December 2019 following the adoption of the SFRS(I) 16, representing in aggregate approximately 58.4% of the Group's total indebtedness.

*Technical breach of financial covenants*

The Company had on 24 February 2020 and 26 February 2020 ("**Technical Breach Announcements**") announced and clarified on the Technical Breach of financial covenants in the S$100 million 4.00% Notes due 2023 issued under the Programme established by the Company. We noted that the following two (2) financial covenants in relation to the issuance of the Notes were breached:

(a) Consolidated Tangible Net Worth not less than S$75.0 milllion; and

(b) Consolidated Total Borrowings (net of cash) to Consolidated Tangible Net Worth not exceeding 3.0 times.

We understand that the key reasons for the Technical Breach was due to a decrease in accumulated profits of the Group, which is a component in the financial covenants. This was attributable to (i) a net loss reported by the Group for FY2019 due to difficult business operating environments in the overseas market; and (ii) the adoption of the SFRS(I) 16 which resulted in the frontloading of lease related expenses into the statement of income of the Group, which resulted in the Group's accumulated profits for FY2019 to decreased by approximately 44.6% as compared to the accumulated profits for the corresponding period of the immediately preceding financial year. The Company has appointed United Overseas Bank Limited as consent solicitation agent to engage holders of the Notes to address the Technical Breach.

In addition to the Notes, we noted that the Group has breached the financial covenants of certain of its bank borrowings as such financial covenants are similar to the Notes. As such, the Group has reclassified approximately S$92.8 million of its long-term loan under the current portion of the Group's liabilities.

As at the Latest Practicable Date, the Directors of the Company confirm that (i) the Company has not received any notice from the trustee in relation to the Programme, that the Notes are immediately repayable at their specified denomination or integral multiples thereof, together with accrued interest; and (ii) no bank has informed the Company of its intention to withdraw and terminate any of the Group's financing lines that are extended and/or currently outstanding with the Company.

### 8.3 Historical trailing valuation multiples of the Shares

In evaluating the valuation multiples implied by the Offer Price, we have applied and used the following valuation ratios:

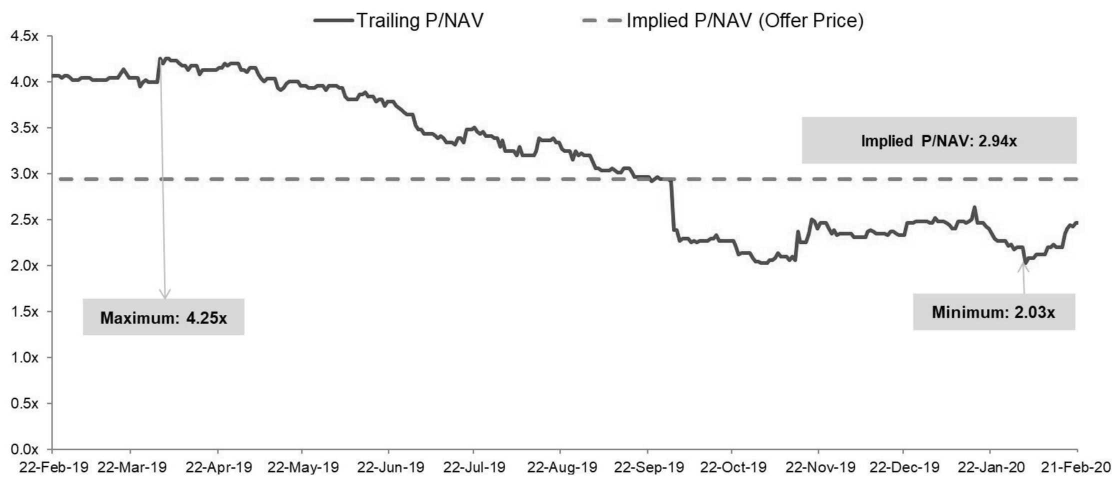
| Valuation ratios | General descriptions |
|---|---|
| **P/E** | "**P/E**" or "**price-to-earnings**" multiple illustrates the market price of a company's shares relative to its earnings per share. The P/E multiple is affected by, *inter alia*, the capital structure of a company, its tax position as well as its accounting policies relating to depreciation and intangible assets. |

| Valuation ratios | General descriptions |
|---|---|
| **EV/EBITDA** | "**EV**" or "**enterprise value**" is the sum of the company's market capitalisation, preferred equity, minority interests, short-and long-term debt (inclusive of operating lease liabilities) less its cash and cash equivalents (collectively, "**EV Components**"). "**EBITDA**" stands for the historical earnings before interest, tax, depreciation and amortisation expense, inclusive of the share of associates' and joint ventures' income and excluding exceptional items. The EV/EBITDA ratio illustrates the market value of a company's business relative to its historical pre-tax operating cash flow performance, without regard to the company's capital structure.<br><br>We have also included the EV excluding operating lease liabilities ("**EV EX OL**") that adjusts the enterprise value to exclude lease liabilities, which represent the obligations of a company to make lease payments following the adoption of the SFRS(I) 16, as we note that the recognition of such lease liabilities could substantially increase a company's total liabilities. |
| **P/NAV** | "**P/NAV**" or "**price-to-NAV**" illustrates the comparison between a company's stock price or market value versus the book value of the company's total shareholders' common equity as indicated on its balance sheet. Comparisons of companies using their book NAVs are affected by differences in their respective accounting policies, in particular their depreciation and asset valuation policies. |
| **P/NTA** | "**P/NTA**" or "**price-to-NTA**" refers to the ratio of a company's share price divided by NTA per share. The ratio represents an asset-based relative valuation which takes into consideration the book value or NTA backing of a company. The NTA of a company provides an estimate of its value assuming a hypothetical sale of all its tangible assets and repayment of its liabilities and obligations, with the balance being available for distribution to its shareholders. It is an asset-based valuation methodology and this approach is meaningful to the extent that it measures the value of each share that is attached to the net tangible assets of the company. |

*Historical trailing P/NAV of the Company*

We have compared the P/NAV of the Shares as implied by the Offer Price of 2.94 times against the historical trailing P/NAV of the Shares (based on the daily closing prices of the Shares and the Group's trailing announced NAV per Share) for the 1-year period from 22 February 2019 up to and including Last Full Trading Day.

**Exhibit 11 – Historical trailing P/NAV ratio[1]**




*Sources: Bloomberg L.P. and PPCF calculations*

**Note**:

(1) P/NAV ratio of the Shares implied by the Offer Price (latest quarterly NAV per Share computed based on the FY2019 Financial Results Announcement) against the trailing P/NAV of the Shares based on the corresponding quarterly NAV per Share as reported by the Company.

The average, minimum and maximum of the historical trailing P/NAV of the Shares from 22 February 2019 (being the beginning of the 1-year period up to and including the Last Full Trading Day) to the Latest Practicable Date are set out below:

**Exhibit 12 – Historical trailing P/NAV ratios of the Shares**

| | Historical trailing P/NAV (times) | | |
|---|---|---|---|
| | **Average** | **Maximum** | **Minimum** |
| **Periods up to and including the Last Full Trading Day** | | | |
| 1-year | 3.14 | 4.25 | 2.03 |
| 6-month | 2.47 | 3.27 | 2.03 |
| 3-month | 2.35 | 2.64 | 2.03 |
| 1-month | 2.23 | 2.46 | 2.03 |
| **Period after the Last Full Trading Day up to the Latest Practicable Date** | | | |
| Period after the Last Full Trading Day up to the Latest Practicable Date | 2.79 | 2.90 | 2.46 |

*Sources: Bloomberg L.P., the Company's financial results announcements and PPCF analysis*

Based on the above, we note that:

(a) for the 1-year period prior to and including the Last Full Trading Day, the implied P/NAV and implied price-to-Adjusted NAV ("**P/ANAV**") of 2.94 times and 2.81 times respectively are below the average historical trailing P/NAV of the Shares of 3.14 times;

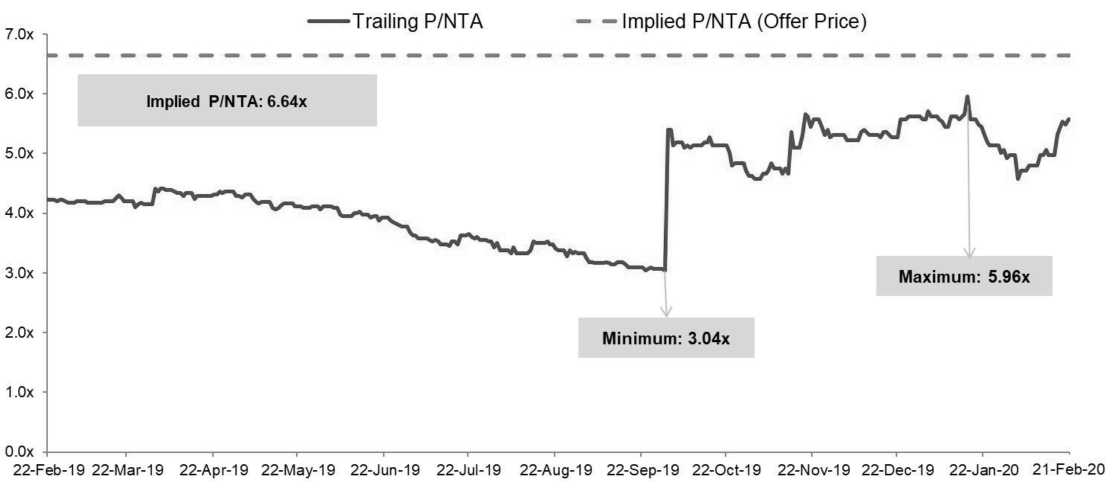
(b) for the 6-month, 3-month, 1-month periods prior to and including the Last Full Trading Day, the implied P/NAV and P/ANAV of 2.94 times and 2.81 times respectively are above the average historical trailing P/NAV of the Shares of 2.47 times, 2.35 times and 2.23 times respectively; and

(c) for the period after the Last Full Trading Day up to the Latest Practicable Date, the implied P/NAV and P/ANAV of 2.94 times and 2.81 times respectively are above the average historical trailing P/NAV of the Shares of 2.79 times.

*Historical trailing P/NTA of the Company*

We have compared the P/NTA of the Shares as implied by the Offer Price of 6.64 times against the historical trailing P/NTA of the Shares (based on the daily closing prices of the Shares and the Group's trailing announced NTA per Share) for the 1-year period from 22 February 2019 up to and including Last Full Trading Day.

**Exhibit 13 – Historical trailing P/NTA ratio(1)**




*Sources: Bloomberg L.P. and PPCF calculations*

**Note:**

(1) P/NTA of the Shares implied by the Offer Price (latest quarterly NTA per Share computed based on the FY2019 Financial Results Announcement) against the trailing P/NTA of the Shares based on the corresponding quarterly NTA per Share as reported by the Company.

The average, minimum and maximum of the historical trailing P/NTA of the shares from 22 February 2019 (being the beginning of the 1-year period up to and including the Last Full Trading Day) to the Latest Practicable Date are set out below:

**Exhibit 14 – Historical trailing P/NTA ratios of the Shares**

| | Historical trailing P/NTA (times) | | |
|---|---|---|---|
| | **Average** | **Maximum** | **Minimum** |
| **Periods up to and including the Last Full Trading Day** | | | |
| 1-year | 4.37 | 5.96 | 3.04 |
| 6-month | 4.77 | 5.96 | 3.04 |
| 3-month | 5.32 | 5.96 | 4.58 |
| 1-month | 5.03 | 5.57 | 4.58 |
| **Period after the Last Full Trading Day up to the Latest Practicable Date** | | | |
| Period after the Last Full Trading Day up to the Latest Practicable Date | 6.32 | 6.57 | 5.57 |

*Sources: Bloomberg L.P., the Company's financial results announcement and PPCF Analysis*

Based on the above, we note that:

(a) for the 1-year, 6-month, 3-month, 1-month periods prior to and including the Last Full Trading Day, the implied P/NTA and implied price-to-Adjusted NTA ("**P/ANTA**") of 6.64 times and 6.02 times respectively are above the average historical trailing P/NTA of the Shares of 4.37 times, 4.77 times, 5.32 times and 5.03 times respectively; and

(b) for the period after the Last Full Trading Day and up to the Latest Practicable Date, the implied P/NTA of 6.64 times is above the average historical trailing P/NTA of the Shares 6.32 times, but the implied P/ANTA of 6.02 times is below the average historical trailing P/NTA of the Shares of 6.32 times.

### 8.5 Valuation ratios of selected listed companies broadly comparable to the Group

For the purpose of evaluating the financial terms of the Offer, we have made reference to the valuation ratios of selected companies listed on the SGX-ST which we consider to be broadly comparable to the Company ("**Comparable Companies**"), to provide an indication of the current market expectations with regard to the perceived valuation of the Company. The Comparable Companies consist of companies which are primarily involved in the food services and/or restaurants business with substantial presence in Singapore and/or Asia Pacific.

Brief descriptions of the Comparable Companies are set out below:

**Exhibit 15 – Summary of Comparable Companies**

| Name | Market capitalisation (S$'million)(1) | Business description |
|---|---|---|
| QAF Ltd ("**QAF**") | 419.9 | QAF manufactures and distributes bread, bakery, and confectionery products. The company also operates supermarkets and cold storage warehousing. QAF trades and distributes food, beverages, food related ingredients and commodities. QAF produces, processes, and markets pork and feed mill production. |
| Koufu Group Ltd ("**Koufu**") | 349.5 | Koufu is an operator and manager of F&B establishments in Singapore. Koufu has the following business segments: (i) outlet and mall management business, under which it operates and/or manages food courts, coffee shops, a hawker centre and a commercial mall; and (ii) F&B retail business, under which it operates F&B stalls, F&B kiosks, quick-service restaurants and full-service restaurants. |
| Kimly Ltd ("**Kimly**") | 227.5 | Kimly's business can be categorised into the following two (2) divisions: (i) outlet management division (comprising coffee shop management and food court management); and (ii) food retail division. Kimly serves customers in Singapore. |
| Jumbo Group Ltd ("**Jumbo**") | 147.4 | Jumbo is a seafood restaurant group offering multiple dining concepts catering to all types of consumers. The company offers restaurants in Singapore, China, and Japan. Jumbo also engages in retail sales of packaged sauces and spice mixes for some of its signature dishes and provide catering services in Singapore. |
| ABR Holdings Ltd ("**ABR**") | 131.7 | ABR primarily manages, franchises and operates a portfolio of well-known food and beverage companies and brands, including Swensen's Yogen Fruz, Season, The Cocoa Trees and Europa, with outlets located both in Singapore as well as regionally. Beyond Singapore, the group began to establish a distribution network for premium chocolates and confectionary in China. |
| Japan Foods Holdings Ltd ("**Japan Foods**") | 62.7 | Japan Foods is principally engaged in the operation of restaurants under various brands in Singapore and Malaysia and the franchising of the "Ajisen Ramen" and "Aji Tei" brands to sub-franchisees and franchisee in Malaysia and Indonesia. |

**Exhibit 15 – Summary of Comparable Companies**

| Name | Market capitalisation (S$'million)[1] | Business description |
|---|---|---|
| ST Group Food Industries Holdings Ltd ("**ST Group**") | 58.4 | ST Group is an established F&B group headquartered in Australia. The group has four (4) main business segments: (i) F&B retail sales under the various brands through outlets owned and operated by the Group; (ii) the sub-franchising and sub-licensing of various brands to its sub-franchisees and sub-licensees; (iii) the sale of F&B ingredients and other supplies to its franchise network through its central kitchen; and (iv) the receipt of machine income from the electronic dart machines installed at sub-franchised "iDarts" outlets. |
| RE&S Holdings Ltd ("**RE&S**") | 37.2 | RE&S' business is undertaken primarily through the two (2) business segments in Singapore and Malaysia, namely (i) the full-service restaurants segment which caters to customers seeking the full dining experience; and (ii) the quick-service restaurants, convenience and other segments which cater to customers seeking a quicker meal experience and/or in which they may order their meals for take-away. |
| Tung Lok Restaurants (2000) Ltd ("**Tung Lok**") | 40.3 | Tung Lok is principally engaged in the operation of restaurant that offers a range of Chinese cuisine. The company also operates a food processing facility to distribute dimsum and dimsum ingredients, festive food items and pastries to its restaurants for sale. Tung Lok operates a mixed portfolio of restaurants with outlets in Singapore, Indonesia, China and Japan. |
| Soup Restaurant Group Ltd ("**Soup Restaurant**") | 30.8 | Soup Restaurant owns and operates a chain of niche restaurants that serve traditional, homecooked dishes which originated from family recipes. The group has eight (8) outlets operating under the brand names of "Soup Restaurant", "Kampong Days" and "Dian Xiao Er", that are located across Singapore. |
| Katrina Group Ltd ("**Katrina**") | 33.6 | Katrina is an operator of chains of restaurants and cafes under different F&B brands and concepts. The company offers its products and services through company owned restaurants throughout Asia. |

*Source: Bloomberg L.P.*

**Note:**

(1) Market capitalisation of the Comparable Companies is based on their respective last transacted prices as at the Latest Practicable Date.

**We wish to highlight that the Comparable Companies are not exhaustive and we recognise that there is no listed company which we may consider to be identical to the Company in terms of, *inter alia,* geographical markets, composition of business activities, scale of business operations, risk profile, asset base, valuation methodologies adopted, accounting policies, track record, future prospects, market/ industry size, political risk, competitive and regulatory environment, financial positions and other relevant criteria and that such businesses may have fundamentally different annual profitability objectives. The Independent Directors should note that any comparison made with respect to the Comparable Companies merely serve to provide an illustrative perceived market valuation of the Company as at the Latest Practicable Date.**

We set out in Exhibit 16 below the valuation statistics for the Comparable Companies based on their last transacted share prices as at the Latest Practicable Date.

**Exhibit 16 – Valuation ratios of Comparable Companies**

| Comparable Companies | Stock exchange | Market capitalisation(1) (S$'m) | EV(2) (S$'m) | P/E (times) FY2019 | P/E (times) FY2018 | LTM(3) EV/ EBITDA (times) | LTM(3) EV EX OL/ EBITDA (times) | P/NAV(4) (times) | P/NTA(5) (times) |
|---|---|---|---|---|---|---|---|---|---|
| QAF | SGX-ST | 419.9 | 519.7 | 15.23 | 51.66 | 6.30 | 5.78 | 0.83 | 0.84 |
| Koufu | SGX-ST | 349.5 | 445.5 | 12.62 | 16.08 | 3.91 | 2.32 | 3.42 | 3.43 |
| Kimly | SGX-ST | 227.5 | 140.3 | 11.34 | 12.67 | 5.40 | 5.40 | 2.59 | 2.78 |
| Jumbo | SGX-ST | 147.4 | 104.1 | 12.64 | 23.56 | 5.24 | 5.24 | 2.14 | 2.16 |
| ABR | SGX-ST | 131.7 | 126.0 | 66.73 | 61.82 | 4.98 | 3.58 | 1.40 | 1.63 |
| Japan Foods | SGX-ST | 62.7 | 81.0 | 19.21 | 12.93 | 5.30 | 2.77 | 1.86 | 1.87 |
| ST Group | SGX-ST | 58.4 | 86.9 | 30.61 | N.A.(3) | 14.72 | 10.14 | 2.72 | 3.82 |
| RE&S | SGX-ST | 37.2 | 115.8 | 9.20 | 19.35 | 5.26 | 1.45 | 1.19 | 1.15 |
| Tung Lok | SGX-ST | 40.3 | 58.5 | N.M.(3) | N.M.(3) | 8.73 | 5.18 | 2.93 | 3.04 |
| Soup Restaurant | SGX-ST | 30.8 | 36.0 | 40.47 | 22.62 | 3.35 | 2.09 | 3.11 | 3.07 |
| Katrina | SGX-ST | 33.6 | 110.8 | N.M.(3) | 104.75 | 4.38 | 1.44 | 4.46 | 4.38 |
| | | | **Maximum** | **66.73** | **104.75** | **14.72** | **10.14** | **4.46** | **4.38** |
| | | | **Minimum** | **9.20** | **12.67** | **3.35** | **1.44** | **0.83** | **0.84** |
| | | | **Mean** | **24.23** | **27.59**(6) | **6.14** | **4.13** | **2.42** | **2.56** |
| | | | **Median** | **15.23** | **20.99**(6) | **5.26** | **3.58** | **2.59** | **2.78** |
| **BTG** (based on the Offer Price) | **SGX-ST** | **433.6**(7) | **1,011.3**(7) | **N.M.**(8) | **28.54** | **4.86** | **2.51** | **2.94** | **6.64** |

*Sources: Bloomberg L.P., the Company's financial statements and the Comparable Companies' most recently announced financial statements*

**Notes:**

(1) Market capitalisation of the Comparable Companies is based on their respective last transacted prices as at the Latest Practicable Date.

(2) Market capitalisation of the Comparable Companies after adjusting for the EV Components of the respective Comparable Companies' most recently announced financial statements.

(3) LTM means latest twelve months, N.M. means not meaningful and N.A. means not applicable.

(4) Based on the NAV per share obtained from Bloomberg L.P. and/or the respective Comparable Companies' most recently announced financial statements.

(5) Adjusted the NAV to exclude intangible assets, deferred tax assets/liabilities and minority interest/non-controlling interest.

(6) Excluded Katrina as a statistical outlier in the computation of the mean and median of the P/E.

(7) Based on the Offer Price and the total number of issued Shares of 563,067,342 Shares as at the Latest Practicable Date.

(8) Not applicable as the Group incurred a loss for FY2019.

For illustration purposes only, we note that based on the Offer Price:

(a) The implied P/E ratio of the Company for FY2019 is negative as the Group recorded a loss and hence it is not meaningful as a comparison metric;

(b) The implied P/E ratio of the Company for FY2018 of 28.54 times is within the range of the P/E ratios of the Comparable Companies and is higher than both the mean and median P/E ratios of 27.59 times and 20.99 times respectively;

(c) The implied LTM EV/EBITDA ratio of the Company of 4.86 times is within the range of the LTM EV/EBITDA ratios of Comparable Companies, but is lower than both the mean and median LTM EV/EBITDA ratios of 6.14 times and 5.26 times respectively;

(d) The implied LTM EV EX OL/EBITDA ratio of the Company of 2.51 times is within the range of the LTM EV EX OL/EBITDA ratios of Comparable Companies, but is lower than both the mean and median LTM EV EX OL/EBITDA ratios of 4.13 times and 3.58 times respectively;

(e) The implied P/NAV and implied P/ANAV ratios of the Company of 2.94 times and 2.81 times respectively are within the range of the P/NAV ratios of the Comparable Companies, and are higher than both the mean and median P/NAV ratios of 2.42 times and 2.59 times respectively; and

(f) The implied P/NTA and implied P/ANTA ratios of the Company of 6.64 times and 6.02 times respectively are higher than the range of the P/NTA ratios of the Comparable Companies, and both the mean and median P/NTA ratios of 2.56 times and 2.78 times respectively.

As highlighted in paragraph 8.2 of this letter, the Company and the Group have adopted the SFRS(I) 16 and elected to apply the standard retrospectively with the cumulative effect of initial application as an adjustment to the opening balance of the retained earnings as at 1 January 2019. We also note that certain Comparable Companies which have a financial year end of 31 December, namely QAF, Koufu, ABR, Soup Restaurant and Katrina (collectively, "**December Year End Comparable Companies**"), have also adopted the SFRS(1) 16 and applied it retrospectively. As such, for illustration purposes, we have compared the valuation ratios of the Company based on the Offer Price against the valuation ratios of the December Year End Comparable Companies which is set out in Exhibit 17 below:

**Exhibit 17 – Valuation ratios of December Year End Comparable Companies**

| | P/E (times) | | LTM[(1)] EV/ EBITDA (times) | LTM[(1)] EV EX OL/ EBITDA (times) | P/NAV[(2)] (times) | P/NTA[(3)] (times) |
|---|---|---|---|---|---|---|
| | FY2019 | FY2018 | | | | |
| **Maximum** | **66.73** | **104.75** | **6.30** | **5.78** | **4.46** | **4.38** |
| **Minimum** | **12.62** | **16.08** | **3.35** | **1.44** | **0.83** | **0.84** |
| **Mean** | **33.76** | **38.05**[(4)] | **4.58** | **3.04** | **2.64** | **2.67** |
| **Median** | **27.85** | **37.14**[(4)] | **4.38** | **2.32** | **3.11** | **3.07** |
| **BTG** (based on the Offer Price) | **N.A.**[(5)] | **28.54** | **4.86** | **2.51** | **2.94** | **6.64** |

**Notes:**

(1) LTM means latest twelve months.

(2) Based on the NAV per share obtained from Bloomberg L.P. and/or the respective Comparable Companies' most recently announced financial statements.

(3) Adjusted the NAV to exclude intangible assets, deferred tax assets/liabilities and minority interest/non-controlling interest.

(4) Excluded Katrina as a statistical outlier in the computation of the mean and median of the P/E.

(5) Not meaningful as the Group has incurred a loss for FY2019.

For illustration purposes only, we note that based on the Offer Price:

(a) The implied P/E ratio of the Company for FY2019 is negative as the Company recorded a loss and hence it is not meaningful as a comparison metric.

(b) The implied P/E of the Company for FY2018 of 28.54 times is within the range of the P/E ratios of the December Year End Comparable Companies, but is lower than both the mean and median P/E ratios of 38.05 times and 37.14 times respectively;

(c) The implied LTM EV/EBITDA ratio of the Company of 4.86 times is within the range of the LTM EV/EBITDA ratios of December Year End Comparable Companies, and is higher than both the mean and median LTM EV/EBITDA ratios of 4.58 times and 4.38 times respectively;

(d) The implied LTM EV EX OL/EBITDA ratio of the Company of 2.51 times is within the range of the LTM EV EX OL/EBITDA ratios of December Year End Comparable Companies and is higher than the median LTM EV EX OL/EBITDA ratio of 2.32 times, but lower than the mean LTM EV EX OL/EBITDA ratio of 3.04 times;

(e) The implied P/NAV and implied P/ANAV ratios of the Company of 2.94 times and 2.81 times respectively are within the range of the P/NAV ratios of the December Year End Comparable Companies and are higher than the mean P/NAV ratio of 2.64 times, but lower than the median P/NAV ratio of 3.11 times; and

(f) The implied P/NTA and implied P/ANTA ratios of the Company of 6.64 times and 6.02 times respectively are higher than the range of the P/NTA ratios of the December Year End Comparable Companies, and both the mean and median P/NTA ratios of 2.67 times and 3.07 times respectively.

## 8.6 Selected precedent privatisation and delisting transactions in Singapore

We note that it is the intention of the Offeror, and the purpose of the Offer, to privatise and delist the Company from the Official List of the SGX-ST. The Offeror intends to make the Company its wholly-owned subsidiary and does not intend to preserve the listing status of the Company. Accordingly, the Offeror when entitled, intends to exercise its rights of compulsory acquisition under Section 215(1) of the Companies Act and does not intend to take steps for any trading suspension of the Shares by the SGX-ST to be lifted in the event that, *inter alia*, less than 10% of the Shares (excluding treasury shares) are held in public hands. In addition, the Offeror reserves the right to seek a voluntary delisting of the Company from the SGX-ST pursuant to Rules 1307 and 1309 of the Listing Manual. For the purpose of our evaluation of the financial terms of the Offer, we have compared the valuation statistics implied by the Offer Price *vis-à-vis* those in respect of recent successful privatisations and delistings of companies listed on the SGX-ST.

We set out below in Exhibit 18 the statistics on (i) privatisation transactions of companies listed on the SGX-ST, whether by way of scheme of arrangement under Section 210 of the Companies Act, voluntary general offers ("**VGO**") or mandatory general offers ("**MGO**") under the Code; and (ii) delisting offers under Rule 1307 of the Listing Manual ("**Voluntary Delisting**" or "**VD**"), and the offer resulted in a successful privatisation and delisting of the target company ("**Precedent Privatisations**"). The details on the Precedent Privatisations announced from 1 January 2018 up to the Latest Practicable Date are set out as follows:

**Exhibit 18 – Precedent Privatisations in Singapore**

| | | | | Premium/(Discount) of Offer Price over/(to)[1] | | | | |
|---|---|---|---|---|---|---|---|---|
| Company | Announcement date | Type | Offer Price per share (S$) | Last transacted price (%) | 1-month VWAP (%) | 3-month VWAP (%) | 6-month VWAP (%) | Offer price to NTA or NAV (times) |
| Citic Envirotech Ltd. | 6-Nov-19 | VD | 0.550 | 48.6 | 61.6 | 68.5 | 65.5 | 1.15[2] |
| PACC Offshore Services Holdings Ltd. | 4-Nov-19 | VGO | 0.215 | 69.3 | 99.4 | 93.0 | 70.2 | 0.96[3] |
| Raffles United Holdings Ltd.[4] | 25-Oct-19 | VGO | 0.065 | (1.5) | – | 10.0 | 15.9 | 0.28[2] |
| San Teh Ltd | 5-Sep-19 | VGO | 0.280 | 81.8 | 90.5 | 83.0 | 84.2 | 0.40[3] |
| PS Group Holdings Ltd. | 20-Aug-19 | VGO | 0.118 | 195.0 | 266.7 | 267.5 | 267.5 | 0.62[3] |
| Star Pharmaceutical Limited | 5-Aug-19 | MGO | 0.450 | 157.1 | 160.1 | 176.1 | 186.6 | 0.67[3] |
| Delong Holdings Limited[5] | 29-Jul-19 | VGO | 7.000 | 1.9 | 8.0 | 17.9 | 37.2 | 0.60[2] |
| Health Management International Ltd[6] | 5-Jul-19 | VD | 0.730[7] | 14.1 | 23.9 | 27.8 | 29.7 | 5.62[3] |
| Hupsteel Limited | 28-Jun-19 | VGO | 1.200 | 51.9 | 58.3 | 58.6 | 58.6 | 0.58[3] |
| Boardroom Limited | 15-May-19 | VGO | 0.880 | 14.3 | 18.9 | 16.1 | 17.6 | 2.02[8] |

**Exhibit 18 – Precedent Privatisations in Singapore**

| Company | Announcement date | Type | Offer Price per share (S$) | Premium/(Discount) of Offer Price over/(to)[1] Last transacted price (%) | 1-month VWAP (%) | 3-month VWAP (%) | 6-month VWAP (%) | Offer price to NTA or NAV (times) |
|---|---|---|---|---|---|---|---|---|
| Memtech International Ltd. | 14-May-19 | VGO | 1.350 | 23.9 | 31.5 | 31.6 | 35.6 | 1.09[2] |
| 800 Super Holdings Limited | 6-May-19 | VGO | 0.900 | 16.1 | 30.8 | 31.2 | 25.3 | 2.06[3] |
| Kingboard Copper Foil Holdings Limited | 4-Apr-19 | VGO | 0.600 | 9.1 | 16.1 | 25.3 | 27.4 | 0.88[3] |
| Courts Asia Limited | 18-Jan-19 | VGO | 0.205 | 34.9 | 35.8 | 34.0 | 23.5 | 0.56[9] |
| Declout Limited[10] | 7-Jan-19 | VGO | 0.130 | 62.5 | 66.7 | 66.7 | 58.5 | 1.28[9] |
| PCI Limited[11] | 4-Jan-19 | VGO | 1.330 | 27.9 | 44.0 | 47.2 | 50.9 | 1.97[2] |
| Cityneon Holdings Limited | 29-Oct-18 | MGO | 1.300 | 3.2 | 6.9 | 11.9 | 15.7 | 4.50[2] |
| M1 Limited | 27-Sep-18 | VGO | 2.060 | 25.2 | 29.9 | 29.1 | 21.8 | 3.85[2] |
| Keppel Telecommunications & Transportation Ltd | 27-Sep-18 | VGO | 1.910 | 40.4 | 39.5 | 34.9 | 28.1 | 1.53[12] |
| Wheelock Properties (Singapore) Limited | 19-Jul-18 | VGO | 2.100 | 20.7 | 29.0 | 22.7 | 17.8 | 0.84[3] |
| Weiye Holdings Limited[13] | 13-Mar-18 | VD | 0.650 | 31.3 | 40.7 | 44.1 | 44.4 | 0.30[3] |
| Lee Metal Group Ltd[14] | 21-Feb-18 | VGO | 0.420 | 9.1 | 14.1 | 21.4 | 26.5 | 0.98[3] |
| LTC Corporation Limited[15] | 9-Feb-18 | VD | 0.925 | 44.5 | 46.1 | 45.4 | 44.1 | 0.53[3] |
| Tat Hong Holdings Ltd[16] | 11-Jan-18 | VGO | 0.550 | 42.9 | 47.5 | 49.1 | 40.3 | 0.71[2] |
| | | | **Min** | (1.5) | – | 10.0 | 15.7 | 0.28 |
| | | | **Max** | 195.0 | 266.7 | 267.5 | 267.5 | 5.62 |
| | | | **Mean**[17][18] | 30.6 | 38.1 | 39.5 | 38.1 | 1.23 |
| | | | **Median**[17][18] | 26.6 | 33.7 | 32.8 | 32.7 | 0.88 |
| **BTG** (based on the Offer Price) | | | **0.77** | **19.4** | **30.1** | **24.0** | **25.0** | **2.94** |

*Sources: Bloomberg L.P. and the respective target companies' shareholders' circulars and announcements.*

**Notes:**

(1) Market premia/(discounts) calculated relative to the closing price of the respective target companies one (1) day prior to the respective announcement dates and VWAP of the 1-month, 3-month and 6-month period prior to the respective announcement dates.

(2) Based on the NTA or NAV per share (as the case may be), as published in the respective circulars of the target companies.

(3) Based on the revalued NAV or NTA per share (as the case may be), as published in the respective circulars of the target companies.

(4) On 1 July 2019, a mandatory unconditional cash offer was made for the issued shares in Raffles United Holdings Ltd. and the shares were subsequently suspended from trading on 14 August 2019 as a result of the loss of free float following the offer. The market premia/(discount) in the table above were computed based on the share prices for the period(s) prior to the suspension of the trading of the shares on 14 August 2019 following the loss of free float.

(5) On 27 September 2018, the voluntary conditional cash offer for the issued shares of Delong Holdings Limited was announced. On 11 October 2018, it was announced that the offer was withdrawn in accordance with

Rule 4 of the Code. The market premia in the table above were computed based on the share prices for the period(s) up to and including 26 September 2018, being the last unaffected trading day.

(6) On 17 June 2019, the directors of Health Management International Ltd ("**HMI**") announced that it was in discussions with a third party regarding a possible transaction involving HMI. The market premia in the table above were computed based on the share prices for the periods(s) up to and including 14 June 2019, being the last undisturbed trading day.

(7) The acquisition for all the issued shares of HMI by PanAsia Health Limited (being the offeror) was effected by way of a scheme of arrangement pursuant to, *inter alia,* Section 210 of the companies Act and the scheme consideration was (i) S$0.730 in cash; or (ii) one offeror share at an issue price of S$0.730 per offeror share.

(8) Based on the adjusted NAV per share, as published in the respective circular of Boardroom Limited.

(9) Based on the pro forma NAV or NTA per share (as the case may be), as published in the respective circulars of the target companies.

(10) Declout Limited had a significant stake in Procurri Corporation Limited ("**Procurri**") and had treated and consolidated the results of Procurri as its subsidiary. On 7 September 2018, Procurri announced that it had received an unsolicited, non-binding indication of interest from a third party to acquire the shares in Procurri by way of a possible voluntary general offer subject to, amongst others, due diligence. The market premia in the table above were computed based on the share prices for the period(s) prior to and including 6 September 2018, being the last undisturbed trading date.

(11) On 18 September 2018, PCI Limited ("**PCI**") announced that its controlling shareholder, Chuan Hup Holdings Limited, had been approached by a third party in connection with a potential transaction in relation to the securities of PCI and that discussions were on-going. The market premia in the table above were computed based on the share prices for the period(s) prior to and including 17 September 2018, being the last undisturbed trading date.

(12) The independent financial adviser to Keppel Telecommunications & Transportation Ltd had arrived at an aggregate valuation of the company on a sum-of-the-parts basis, which ranged from S$1.25 per share to S$1.33 per share. We have used S$1.25 as the implied value for the computation of the price-to NAV ratio in the table above.

(13) The intention of Weiye Holdings Limited was to remain listed on the Stock Exchange of Hong Kong Limited (the "**SEHK**") at the close of the offer. Shareholders who did not accept the delisting offer in Singapore will be able to continue to trade their shares on the SEHK, subsequent to the close of the offer and the delisting of Weiye Holdings Limited from the SGX-ST.

(14) On 11 November 2017, Lee Metal Group Ltd ("**Lee Metal**") announced that it had been notified by certain shareholders that they had received an unsolicited approach in connection with a potential transaction which may or may not lead to an acquisition of the issued share capital of Lee Metal, and had, pursuant to such approach, entered into a binding memorandum of understanding with an unrelated third party. The market premia in the table above were computed based on the share prices for the period(s) up to and including 10 November 2017, being the last undisturbed trading date.

(15) On 9 February 2018, Mountbatten Enterprises Pte. Ltd. announced its intention to undertake a voluntary conditional cash offer for the shares in LTC Corporation Limited. The market premia in the table above were computed based on the share prices for the period(s) prior to and including 8 February 2018, being the last trading day before the announcement of the voluntary conditional cash offer.

(16) On 21 September 2017, Tat Hong Holdings Ltd ("**Tat Hong**") announced that it had been approached by certain parties in connection with a potential transaction in relation to the shares of the Company and the discussions were then ongoing. On 10 November 2017, Tat Hong announced that it had received a non-binding letter from Standard Chartered Private Equity (Singapore) Pte. Ltd. confirming the proposal to acquire the shares of Tat Hong at an offer price of S$0.500 per share, subject to certain conditions. On 10 January 2018 and 9 March 2018, the pre-conditional voluntary conditional cash offer and the formal voluntary conditional cash offer for the issued shared in Tat Hong were announced respectively. On 26 April 2018, Tat Hong announced the revision of the offer price from S$0.500 to S$0.550. The market premia in the table above were computed based on the revised offer price of S$0.550 per share and the share prices for the period(s) up to and including 20 September 2017, being the last undisturbed trading date.

(17) Excluded PS Group Holdings Ltd. and Star Pharmaceutical Limited as statistical outliers in the computation of the mean and median premium/(discount) of the offer price over/(to) (i) the last transacted prices prior to the offer announcements; and (ii) the 1-month, 3-month and 6-month VWAPs prior to the offer announcements.

(18) Excluded HMI as a statistical outlier in the computation of the mean and median offer price to NTA or NAV ratios.

Based on the above analysis, we note the following:

(a) The premium of approximately 19.4% implied by the Offer Price over the last transacted price of the Shares on the Last Full Trading Day is within the range but is lower than the mean and median premia of 30.6% and 26.6% respectively as implied by the respective offer prices paid over the last transacted market prices of the shares on their respective last trading day with respect to the Precedent Privatisations;

(b) The premium of approximately 30.1% implied by the Offer Price over the 1-month VWAP of the Shares up to and including the Last Full Trading Day is within the range but is lower than the mean and median premia of 38.1% and 33.7% respectively as implied by the respective offer prices over the 1-month VWAP of the shares with respect to the Precedent Privatisations;

(c) The premium of approximately 24.0% implied by the Offer Price over the 3-month VWAP of the Shares up to and including the Last Full Trading Day is within the range but is lower than the mean and the median premia of 39.5% and 32.8% respectively as implied by the respective offer prices over the 3-month VWAP of the shares with respect to the Precedent Privatisations;

(d) The premium of approximately 25.0% implied by the Offer Price over the 6-month VWAP of the Shares up to and including the Last Full Trading Day is within the range but is lower than the mean and the median premia of 38.1% and 32.7% respectively as implied by the respective offer prices over the 6-month VWAP of the shares with respect to the Precedent Privatisations; and

(e) The implied P/NAV and implied P/ANAV ratios of the Company of 2.94 times and 2.81 times respectively are (i) within the range of P/NAV ratios of the Precedent Privatisations of between 0.28 times and 5.62 times; (ii) significantly higher than the mean P/NAV ratios of the Precedent Privatisations of 1.23 times; and (iii) significantly higher the median P/NAV ratios of the Precedent Privatisations of 0.88 times.

The Independent Directors should note that the level of premium (if any) an acquirer would normally pay for acquiring and/or privatising a listed company (as the case may be) varies in different circumstances depending on, *inter alia*, the attractiveness of the underlying business to be acquired, the synergies to be gained by the acquirer from integrating the target company's businesses with its existing business, the possibility of a significant revaluation of the assets to be acquired, the availability of substantial cash reserves, the liquidity in the trading of the target company's shares, the presence of competing bids for the target company, the extent of control the acquirer already has in the target company and prevailing market expectations. Consequently, each Precedent Privatisation has to be judged on its own merits (or otherwise).

The list of Precedent Privatisations indicated herein has been compiled based on publicly available information as at the Latest Practicable Date. The above table captures only the premia/discounts implied by the offer prices in respect of the Precedent Privatisations over the aforesaid periods and does not highlight bases other than the aforesaid in determining an appropriate premium/discount for the recent Precedent Privatisations. It should be noted that the comparison is made without taking into account the total amount of the offer value of each respective Precedent Privatisation or the relative efficiency of information or the underlying liquidity of the shares of the relevant companies or the performance of the shares of the companies or the quality of earnings prior to the relevant announcement and the market conditions or sentiments when the announcements were made or the desire or the relative need for control leading to compulsory acquisition.

**We wish to highlight that the Company is not in the same industry and does not conduct the same businesses as the other companies in the list of Precedent Privatisations and would not, therefore, be directly comparable to the list of companies in terms of, *inter alia*, geographical markets, composition of business activities, scale of business operations, risk profile, asset base, valuation methodologies adopted, accounting policies, track record, future prospects, market/industry size, political risk, competitive and regulatory environment, financial positions and other relevant criteria. Accordingly, the Independent Directors should note that the above comparison merely serves as a general guide to provide an indication of the premium or discount in connection with the Precedent Privatisations. Therefore, any comparison of the Offer with the Precedent Privatisations is for illustration purposes only. Conclusions drawn from the comparisons made may not necessarily reflect any perceived market valuation for the Company.**

### 8.7 Analysts' estimates and price targets for the Company

We have reviewed the recommendations and target prices of the Company by analysts' research reports as provided by Bloomberg L.P. in Exhibit 19 below which were released after the Offer Announcement Date.

**Exhibit 19 – Analysts' recommendation and target price for the Company**

| Analyst | Date | Recommendation | Target Price (S$) | Premium/(Discount) of Offer Price over Target Price |
|---|---|---|---|---|
| DBS Group Research | 25 February 2020 | Accept the Offer | 0.49 | 57.1% |
| RHB Securities | 26 February 2020 | Accept the Offer | 0.67[1] | 14.9% |
| **Mean** | | | **0.58** | |

*Source: Bloomberg L.P.*

**Note:**

(1) In the report dated 26 February 2020, RHB Securities made reference to the target price of S$0.67 in its report dated 4 September 2019.

Based on the above analyst reports, we note that:

(a) The Offer Price represents a premium of approximately 32.8% to the mean target price of S$0.58 estimated by the analysts; and

(b) We note that both the analysts made recommendations to "Accept the Offer" in the reports which were dated after the Offer Announcement Date.

**We wish to highlight that the above analyst research reports are not exhaustive and the estimated price targets of the Shares in these reports represent the individual views of the respective analysts (and not PPCF) based on the circumstances, including but not limited to, market, economic and industry conditions and market sentiment and investor perceptions on the prospects of the Company, prevailing at the date of the publication of the respective reports. The opinion of the analysts may change over time due to, *inter alia*, changes in market conditions, the Company's corporate developments and the emergence of new information relevant to the Company. As such, the estimated price targets in these analyst reports may not be an accurate prediction of future market prices of the Shares.**

### 8.8 Dividend track record of the Company

For the purpose of assessing the Offer, we have considered the historical dividend record of the Shares for the last five (5) financial years prior to the Offer Announcement Date and compared them with the returns which a Shareholder may potentially obtain by re-investing the proceeds from the Offer in other selected alternative equity investments.

The Company had declared and paid the following ordinary dividends in respect of its last five (5) financial years:

**Exhibit 20 – Historical dividend track record of the Company**

| S$ | FY2015 | FY2016 | FY2017 | FY2018 | FY2019 |
|---|---|---|---|---|---|
| Interim dividend per Share | 0.005 | 0.005 | 0.02 | 0.005 | 0.01 |
| Final dividend per Share | 0.01 | 0.02 | 0.02 | 0.01 | – |
| Special dividend per Share | – | 0.0135 | 0.03 | – | – |
| **Total dividend per Share** | **0.015** | **0.0385** | **0.07** | **0.015** | **0.01** |
| Share price on the final cum-dividend date(1) | 1.02(2) | 1.63(2) | 1.98(2) | 0.85 | 0.63 |
| **Final dividend yield (%)(4)** | **0.98** | **1.23** | **1.01** | **1.18** | **N.A.**(3) |
| **Total dividend yield (%)(4)** | **1.47** | **2.37** | **3.54** | **1.78** | **1.60** |

*Sources: Bloomberg L.P. and the Company's announcements on the SGXNET*

**Notes:**

(1) The closing market price as at the final cum-dividend date for each respective financial year.

(2) Share price of the Company on cum-entitlement basis before the completion of the share split on 17 May 2018.

(3) The Company did not declare any final dividend for FY2019.

(4) Computed based on the share price on the final cum-dividend date.

The Company does not have a fixed dividend policy. The form, frequency and amount of dividends on the Shares that the Directors may recommend or declare in respect of any particular financial year or period is subject to factors including, *inter alia*, actual and projected financial performance, working capital requirements and general financing condition and levels of cash and/or retained earnings. We note that the Group had accumulated profits and other reserves of approximately S$114.5 million its latest unaudited financial statements for FY2019. The observation above only serves as an illustrative guide and is not an indication of the future dividend policy of the Company.

For the purpose of analysing the Offer, we have considered the Shareholders who accept the Offer may re-invest the proceeds from the Offer in selected alternative equity investments including the equity of the Comparable Companies and/or a broad Singapore market index instrument such as the STI Exchange Traded Fund ("**STI ETF**").

For illustration purposes, the dividend yields of these selected alternative investments based on their ordinary dividends declared over the latest 12 months ("**LTM**") are as follows:

**Exhibit 21 – Dividend yields of Comparable Companies**

| **Comparable Companies** | **Financial year ended** | **Net dividend yield**[1] **(%)** |
|---|---|---|
| QAF | 31 December 2019 | 6.85 |
| Koufu Group | 31 December 2019 | 3.97 |
| Kimly | 30 September 2019 | 5.96 |
| Jumbo | 30 September 2019 | 3.20 |
| ABR | 31 December 2019 | 2.29 |
| Japan Foods | 31 March 2019 | 4.37 |
| ST Group | 30 June 2019 | 1.87[2] |
| RE&S | 30 June 2019 | 2.65 |
| Tung Lok | 31 March 2019 | N.M.[3] |
| Soup Restaurant | 31 December 2019 | 1.82 |
| Katrina | 31 December 2019 | N.M.[3] |
| **Mean** | | **3.66** |
| **Median** | | **3.20** |
| **STI ETF** | – | **4.44** |
| **BTG** (based on the Offer Price) | | **1.30**[4] |

*Sources: Bloomberg L.P. and announcements by the Company and Comparable Companies*

**Notes:**

(1) Net dividend yield of each selected alternative investment is computed as the dividends declared over the most recently completed financial year as reported in the annual reports, results announcements and company filings, divided by the closing market price as at the final cum-dividend date (or where there was no trading on such date, the last available closing market price before the final cum-dividend date or on the Latest Practicable Date). The aforementioned dividend yield computed may differ from the actual dividend yield which will vary depending on the actual cost of investment paid by the individual investor.

(2) The dividend yield for ST Group is computed based on the interim dividend declared on 13 February 2020 as there are no dividends declared nor paid for the most recently completed financial year.

(3) N.M. means not meaningful as Tung Lok and Katrina did not declare or pay dividends for the most recently completed financial year.

(4) Based on the total dividends declared by the Company for FY2019 of S$0.01 per Share divided by the Offer Price of S$0.77.

Based on the above analysis, we note that the dividend yield of the Company for FY2019 based on the Offer Price is approximately 1.30%, which is lower than the mean and median dividend yield of the Comparable Companies at 3.66% and 3.20% respectively. This suggests that Shareholders who accept the Offer may potentially experience an increase in dividend income if they reinvest the proceeds from the Offer in the shares of Comparable Companies.

We wish to highlight the above dividend analysis serves only as an illustrative guide and is not an indication of the Company's future dividend policy or that of any of the Comparable Companies. There is no assurance that the Comparable Companies will continue to pay dividends in the future and/or maintain their respective level of dividends paid in the past periods.

Notwithstanding the above, it is uncertain whether the Company and the Comparable Companies can maintain their historical dividend yields at the levels set out above, hence it is uncertain whether the Shareholders will be able to increase their investment income by liquidating their investment in the Company and reinvesting their proceeds in the Comparable Companies.

**Independent Directors should note that an investment in the equity of the Comparable Companies provides a different risk-return profile as compared to an investment in the Shares, and therefore the above comparison serves purely as a guide only. Furthermore, it should also be noted that the above analysis ignores the effect of any potential capital gain or capital loss that may accrue to the Shareholders arising from their investment in the Shares due to market fluctuations in the price of the Shares during the relevant corresponding periods in respect of which the above dividend yields were analysed.**

**In addition, no views are being expressed with regard to the future dividend policy of the Company and the Company does not have a fixed and formal dividend policy. As such, the quantum of dividends paid by the Company in any period would depend on various factors including but not limited to the financial performance of the Company, its working capital and capital expenditure needs as well as other considerations.**

## 9. OTHER CONSIDERATIONS

### 9.1 Outlook of the industry that the Group is operating in

We note that the Company had made a commentary in the FY2019 Financial Results Announcement on the significant trends and competitive conditions of the industry that may affect the Group in the next reporting period and the next 12 months. The commentary has been reproduced below in italics and should be read in the context of the entire FY2019 Financial Results Announcement:

"*The operating environment faced by the Group remains challenging across key markets, including Singapore, China and Hong Kong. The management team has been working actively to turnaround the loss-making businesses. The outbreak of Covid-19 has added further challenges to the Group's operations. The uncertainty in Hong Kong will continue to have a negative impact to our Food Atrium and Bakery businesses in the territory.*"

The above historical commentary by the Company was not made in connection with the Offer.

As highlighted in paragraph 8.3.1 of this letter, the Group's operating segments, namely the Bakery Division and 4orth Division had also recorded a loss of S$13.5 million and S$10.8 million respectively for FY2019. In addition, we also note that the Group's key markets include Singapore and China and we have set out in Exhibit 22 a summary of the outlook of the general economy as well as the food services and/or restaurants industry of Singapore and China, based on publicly available information.

| Exhibit 22 – Summary of estimated outlook of Singapore and China |
|---|
| **Growth outlook** |

**Economic Survey of Singapore Press Release by Ministry Trade and Industry Singapore ("MTI"), dated 17 February 2020**

***Singapore***

- On 17 February 2020, MTI has downgraded the GDP growth forecast of Singapore for 2020 to "0.5% to 1.5%" from "0.5% to 2.5%" announced earlier in November 2019. This was due to the COVID-19 outbreak that is expected to affect the Singapore economy through several channels.

- The Singapore economy grew by 1.0% on a year-on-year basis in the fourth quarter of 2019, higher than the 0.7% growth in the preceding quarter.

- The accommodation and food services sector grew by 0.8% year-on-year in the fourth quarter, better than the flat growth recorded in the preceding quarter. The sector grew in tandem with an increase in international visitor arrivals and on account of higher sales volumes at restaurant, fast food outlets and other eating places.

- However, against the backdrop of the COVID-19 outbreak, domestic consumption in Singapore is likely to decline as locals cut back on shopping and dining-out activities. This will adversely affect firms in segments such as retail and food services.

***China***

- The COVID-19 outbreak is likely to dampen the growth prospects of China.

- China's GDP growth in 2020 is expected to come in lower than projected due to a pullback in household consumption as a result of the lockdowns and travel restrictions implemented in several major Chinese cities to contain the spread of the virus.

| Exhibit 22 – Summary of estimated outlook of Singapore and China |
|---|
| **Food services and/or restaurant industry** |

We have set out the following excerpts from selected media articles and reports in relation to the food services and/or restaurant industry in Singapore and China:

***Singapore***

**Article on the Straits Times Article, dated 11 March 2020**

- *"Private-sector economists see the Singapore economy contracting by 0.8 per cent in the first quarter of 2020 from the coronavirus impact, while slashing their forecast for full-year growth to 0.6 per cent."*

- *The forecast for the full-year 2020 growth in the Monetary Authority of Singapore (MAS) survey shows that the accommodation and food services sector is forecast to contract by 1.6 per cent.*

**Report by Channel News Asia, dated 13 February 2020**

- "*Restaurant operators in Singapore are bracing for a significant hit on their revenue – with some expecting as much as an 80 per cent drop – over the next three months as tourists stay away and locals avoid public places amid the outbreak of a deadly novel coronavirus.*"

- "*Restaurant Association of Singapore (RAS), which describes itself as the largest F&B association in Singapore, has more than 450 members that operate close to 4,000 outlets. It had conducted a snap poll among its members … about 60 per cent indicated that they expect a loss in revenue of more than 50 per cent over the next three months.*"

- *Since the Disease Outbreak Response System Condition (DORSCON) alert level was raised to Orange,* "*companies islandwide commenced their business continuity plans to limit the spread of the COVID-19. Many, including the financial institutions and technology giants that have offices in the Central Business District (CBD), have arranged to split employees' shifts or have them work from home.*"

- "*F&B, retail businesses in CBD feel pinch as people work from home amid coronavirus concerns.*"

**Exhibit 22 – Summary of estimated outlook of Singapore and China**

***China***

**Report by Channel News Asia, dated 23 February 2020**

- "*Restaurants are taking a huge hit as many people across the country of 1.4 billion have been either under some form of quarantine or are reluctant to venture outside since late January over fears of contagion.*"

- "*Many restaurants have suspended dine-ins to help curb the spread of the virus, but eateries that have resumed operations remain largely empty, with people still encouraged to stay home to avoid infections.*"

***Singapore and China***

**Article by The Straits Times, dated 11 February 2020**

- "*The Singapore Tourism Board (STB) is projecting a 25 to 30 per cent drop in visitor arrivals this year.*"

- "*The latest projection comes on the back of yet another year of record high in tourist arrivals and spending in 2019. But with the largest source market of China drying up, the four-year streak is set to end.*"

- "*The tourism sector, which includes hospitality, attractions, retail, and food and beverage, will take "a significant hit" in 2020.*"

- "*Arrival numbers have already started to tumble, the STB said, as Chinese tourists account for one in five visitors to the Republic. Recent travel restrictions – including a ban on outbound tour groups from China and Singapore's curb on arrivals from the mainland – have battered businesses that rely on them, with some reporting a drop in sales of up to half.*"

We observe from the above industry articles and articles that:

(a) Singapore's and China's food services and/or restaurant industry is likely to continue facing challenging business environments such as rental and manpower costs due to COVID-19;

(b) in fear of contracting the COVID-19, restaurant outlets may see smaller group gathering crowds and business dining following limits imposed by companies on business meetings and locals avoiding dining out;

(c) a sharp slowdown in global growth is expected in the first half of 2020 as supply chains and commodities are affected, tourism activities decline and business confidence falters;

(d) consumers may be increasingly wary of discretionary spending as COVID-19 causes a direct hit to consumer confidence; and

(e) tourism-linked sectors, especially aviation, hospitality, and food and beverage, will see lost demand from fall in tourist arrivals and international travels.

**9.2 Irrevocable undertakings**

We note that as at the Latest Practicable Date, the Reinvestment Undertaking Shareholders collectively hold 397,143,308 Shares, representing approximately 70.53 per cent. of the Company. Details of the Shares held by the Reinvestment Undertaking Shareholders that will be tendered in acceptance of the Offer and the amount of consideration entitled to which will be applied pursuant to the Reinvestments are set out below:

| No. | Reinvestment Undertaking Shareholder | No. of Shares to be tendered in acceptance of the Offer | Percentage of the total number of Shares (%) | Amount of consideration entitled to, which will be applied to subscribe indirectly for new Offeror Shares (S$) |
|---|---|---|---|---|
| 1. | GQ | 191,375,320 | 33.99 | 147,358,996.40 |
| 2. | KL | 104,830,040 | 18.62 | 80,719,130.80 |
| 3. | Square | 20,983,348 | 3.73 | 16,157,177.96 |
| 4. | Primacy | 79,954,600 | 14.20 | 61,565,042.00 |
| **Total** | | 397,143,308 | 70.53 | 305,800,347.16 |

**Pursuant to the Reinvestment Irrevocable Undertakings, the Offeror has received irrevocable undertakings to accept the Offer in respect of an aggregate of 397,143,308 Shares, representing approximately 70.53% of the total number of issued Shares as at the Latest Practicable Date.**

**9.3 Listing status of the Company**

Under Rule 1105 of the Listing Manual, upon an announcement by the Offeror that acceptances have been received pursuant to the Offer that brings the holdings owned by the Offeror and its Concert Parties to above 90% of the total number of issued Shares (excluding treasury shares), the SGX-ST may suspend the listing of the Shares on the SGX-ST until such time when the SGX-ST is satisfied that at least 10% of the Shares (excluding treasury shares) are held by at least 500 shareholders who are members of the public. Under Rule 1303(1) of the Listing Manual, where the Offeror succeeds in garnering acceptances exceeding 90% of the total number of issued Shares (excluding treasury shares), thus causing the percentage of issued Shares (excluding treasury shares) held in public hands to fall below 10%, the SGX-ST will suspend the trading of the Shares only at the close of the Offer.

Under Rule 723 of the Listing Manual, the Company must ensure that at least 10% of the total number of the Shares (excluding treasury shares) is at all times held by the public (the "**Free Float Requirement**"). Under Rule 724(1) of the Listing Manual, if the percentage of the total Shares (excluding treasury shares) held in public hands falls below 10%, the

Company must as soon as practicable, announce the fact and the SGX-ST may suspend trading of all the Shares. Rule 724(2) of the Listing Manual states that the SGX-ST may allow the Company a period of three (3) months, or such longer period as the SGX-ST may agree, to raise the percentage of the Shares in public hands to at least 10%, failing which the Company may be delisted.

**As stated in the Offer Document, the Offeror and the Consortium Members do not intend to support any action taken or to be taken to meet the Free Float Requirement or maintain the present listing status of the Company. Accordingly, the Offeror and the Consortium Members do not intend to place out any Shares held by the Offeror and the Consortium Members to members of the public to meet the Free Float Requirement. In addition, the Offeror intends, and hereby reserves its right, to take steps at an appropriate time, whether during or after the Offer, to seek a voluntary delisting of the Company from the SGX-ST, where permitted by, and in accordance with, the relevant requirements of the Listing Manual and the Code.**

**9.4 Compulsory Acquisition**

As stated in the Offer Document, pursuant to Section 215(1) of the Companies Act, in the event that the Offeror receives valid acceptances pursuant to the Offer of not less than 90% of the total number of issued Shares (other than those already held by the Offeror, its related corporations or their respective nominees as at the date of the Offer and excluding treasury shares), the Offeror will be entitled to exercise the right to compulsorily acquire all the Shares from the Shareholders who have not accepted the Offer (the "**Dissenting Shareholders**") on the same terms as those offered under the Offer.

**In the event that the Offeror becomes entitled to exercise its right under Section 215(1) of the Companies Act to compulsorily acquire all the Shares of the Dissenting Shareholders, the Offeror intends to exercise such rights. In such event, the Company will become a wholly-owned subsidiary of the Offeror and the Offeror will then proceed to delist the Company from the SGX-ST.**

**9.5 Offeror's intentions in relation to the Company**

As stated in the Offer Document, following the successful close of the Offer, the Offeror intends to undertake a review of the Company's activities with a view to streamlining such business activities. The Offeror intends for the Company to refocus on and strengthen core business activities and explore potential corporate actions including the disposal of non-core property assets.

Save as set out above, the Offeror intends for the Company to continue its existing business activities and there are currently no plans to (i) introduce any major changes to the business of the Company; (ii) re-deploy any of the fixed assets of the Company; or (iii) discontinue the employment of any of the existing employees of the Company or its subsidiaries, other than in the ordinary course of business. However, the Offeror retains and reserves the right and flexibility at any time and from time to time to consider any options or opportunities in relation to the Company which may present themselves and which the Offeror may regard to be in the best interests of the Company.

**9.6 The Offer is the only offer available to the Shareholders**

Pursuant to Rule 15.1 of the Code, when an offeror makes a voluntary offer when the offeror has not incurred an obligation to make a general offer for the company under Rule 14.1, the voluntary offer must be conditional upon the offeror receiving acceptances in respect of voting rights which, together with voting rights acquired or agreed to be acquired before or during the offer, will result in the offeror and person acting in concert with it holding more than 50% of the voting rights.

The Company has confirmed that there is no alternative or competing offer available to the Shareholders as at the Latest Practicable Date and we note that pursuant to the Reinvestment Irrevocable Undertakings, the Offeror has received irrevocable undertakings to accept the Offer in respect of an aggregate of 397,143,308 Shares, representing approximately 70.53% of the total number of issued Shares. We note that unless the Reinvestment Undertaking Shareholders accept such alternative or competing offer, any offer made by any third parties would not be capable of becoming unconditional.

## 10. OPINION

**Having considered the various factors set out in the earlier sections of this letter and summarised below, we are of the opinion that the financial terms of the Offer are fair and reasonable.**

In determining whether the Offer is **fair**, we have considered the following pertinent factors:

(a) The Offer Price represents a premium of approximately 20.5%, 25.0%, 24.0%, 30.1% and 19.4% over the 1-year, 6-month, 3-month and 1-month VWAP of the Shares and the last transacted price on the Last Full Trading Day of the Shares respectively;

(b) The Offer Price represents a premium of 193.9% and 181.0% over the unaudited NAV per Share and Adjusted NAV per Share of the Group respectively as at 31 December 2019;

(c) The Offer Price represents a premium of 563.8% and 501.6% over the unaudited NTA per Share and Adjusted NTA per Share of the Group respectively as at 31 December 2019;

(d) The implied P/NAV and implied P/ANAV of 2.94 times and 2.81 times respectively are (i) above the average historical trailing P/NAV of the Shares for the 6-month, 3-month, 1-month periods prior to and including the Last Full Trading Day, but below the average historical trailing P/NAV of the Shares for the 1-year period; and (ii) above the average historical trailing P/NAV of the Shares for the period after the Last Full Trading Day and up to the Latest Practicable Date;

(e) The implied P/NTA and implied P/ANTA of 6.64 times and 6.02 times respectively are (i) above the average historical trailing P/NTA of the Shares for the 1-year, 6-month, 3-month, 1-month periods prior to and including the Last Full Trading Day; and (ii) the implied P/NTA is above the average historical trailing P/NTA of the Shares, but the implied P/ANTA is below the average historical trailing P/NTA, for the period after the Last Full Trading Day and up to the Latest Practicable Date;

(f) In respect of the Comparable Companies:

- The implied P/E ratio of the Company for FY2019 is negative as the Group recorded a loss and hence it is not meaningful as a comparison metric;

- The implied P/E ratio of the Company for FY2018 of 28.54 times is within the range of the P/E ratios of the Comparable Companies and is higher than both the mean and the median P/E ratios of 27.59 times and 20.99 times respectively;

- The implied LTM EV/EBITDA ratio of the Company of 4.86 times is within the range of the LTM EV/EBITDA ratios of Comparable Companies, but is lower than both the mean and median LTM EV/EBITDA ratios of 6.14 times and 5.26 times respectively;

- The implied LTM EV EX OL/EBITDA ratio of the Company of 2.51 times is within the range of the LTM EV EX OL/EBITDA ratios of Comparable Companies, but is lower than both the mean and median LTM EV EX OL/EBITDA ratios of 4.13 times and 3.58 times respectively;

- The implied P/NAV and implied P/ANAV ratios of the Company of 2.94 times and 2.81 times respectively are within the range of the P/NAV ratios of the Comparable Companies, and are higher than both the mean and median P/NAV ratios of 2.42 times and 2.59 times respectively;

- The implied P/NTA and implied P/ANTA ratios of the Company of 6.64 times and 6.02 times respectively are higher than the range of the P/NTA ratios of the Comparable Companies, and both the mean and median P/NTA ratios of 2.56 times and 2.78 times respectively;

(g) In respect of the December Year End Comparable Companies:

- The implied P/E of the Company for FY2018 of 28.54 times is within the range of the P/E ratios of the December Year End Comparable Companies, but is lower than both the mean and median P/E ratios of 38.05 times and 37.14 times respectively;

- The implied LTM EV/EBITDA ratio of the Company of 4.86 times is within the range of the LTM EV/EBITDA ratios of December Year End Comparable Companies, and is higher than both the mean and median LTM EV/EBITDA ratios of 4.58 times and 4.38 times respectively;

- The implied LTM EV EX OL/EBITDA ratio of the Company of 2.51 times is within the range of the LTM EV EX OL/EBITDA ratios of December Year End Comparable Companies and is higher than the median LTM EV EX OL/EBITDA ratio of 2.32 times, but lower than the mean LTM EV EX OL/EBITDA ratio of 3.04 times;

- The implied P/NAV and implied P/ANAV ratios of the Company of 2.94 times and 2.81 times respectively are within the range of the P/NAV ratios of the December Year End Comparable Companies and are higher than the mean P/NAV ratio of 2.64 times, but lower than the median P/NAV ratio of 3.11 times;

- The implied P/NTA and implied P/ANTA ratios of the Company of 6.64 times and 6.02 times respectively are higher than the range of the P/NTA ratios of the December Year End Comparable Companies, and both the mean and median P/NTA ratios of 2.67 times and 3.07 times respectively;

(h) In comparison with the Precedent Privatisations:

- The premium of approximately 19.4% implied by the Offer Price over the last transacted price of the Shares on the Last Full Trading Day is within the range but is lower than the mean and median premia of 30.6% and 26.6% respectively as implied by the respective offer prices paid over the last transacted market prices of the shares on their respective last trading day with respect to the Precedent Privatisations;

- The premium of approximately 30.1% implied by the Offer Price over the 1-month VWAP of the Shares up to and including the Last Full Trading Day is within the range but is lower than the mean and median premia of 38.1% and 33.7% respectively as implied by the respective offer price over the 1-month VWAP of the shares with respect to the Precedent Privatisations;

- The premium of approximately 24.0% implied by the Offer Price over the 3-month VWAP of the Shares up to and including the Last Full Trading Day is within the range but is lower than the mean and the median premia of 39.5% and 32.8% respectively as implied by the respective offer price over the 3-month VWAP of the shares in respect of the Precedent Privatisations;

- The premium of approximately 25.0% implied by the Offer Price over the 6-month VWAP of the Shares up to and including the Last Full Trading Day is within the range but is lower than the mean and the median premia of 38.1% and 32.7% respectively as implied by the respective offer price over the 6-month VWAP of the shares in respect of the Precedent Privatisations; and

- The implied P/NAV and implied P/ANAV ratios of the Company of 2.94 times and 2.81 times respectively are (i) within the range of P/NAV ratios of the Precedent Privatisations of between 0.28 times and 5.62 times; (ii) significantly higher than the mean P/NAV ratio of the Precedent Privatisations of 1.23 times; and (iii) significantly higher than the median P/NAV ratio of the Precedent Privatisations of 0.88 times.

In determining whether the Offer is **reasonable**, we have considered the following pertinent factors:

(i) For the 1-year, 6-month, 3-month and 1-month periods, the ADTV as a percentage of the Company's free float ranged between 0.54% and 0.94%. Between the Offer Announcement Date and the Latest Practicable Date, trading volume of the Shares rose significantly to an ADTV of approximately 2.96% of the Company's free float;

(j) As compared to the relative performance of the market indices, the current market price and the trading volume of the Shares may have been underpinned by the Offer subsequent to the Offer Announcement Date. As such, there is no assurance that the market price and trading volume of the Shares will be maintained at the prevailing level as at the Latest Practicable Date after the close of the Offer;

(k) The Group's revenue increased by approximately 9.0% from S$609.8 million in FY2018 to $664.9 million in FY2019, led by growth across all business divisions. However, the Group recorded a loss attributable to Shareholders of S$5.2 million in FY2019 as compared to a profit attributable to Shareholders of S$15.2 million in FY2018, mainly due to (i) a PBT loss from the Bakery Division; (ii) a decrease in the profit from the Food Atrium Division mainly due to higher lease-related depreciation from the adoption of SFRS(I) 16, weaker profitability in China and Hong Kong and losses incurred in Taiwan and Cambodia; (iii) the 4orth Division reporting a PBT loss mainly due to start-up costs for new outlets and below expectation performance in certain outlets; and (iv) higher lease-related depreciation following the adoption of SFRS(I) 16 in FY2019;

(l) We note that the Group's profit margin has decreased from 3.6% for FY2017 to 2.5% for FY2018. For FY2019, the Group recorded a loss attributable to Shareholders arising from challenging operating conditions across their key markets, which is worsened by the current COVID-19 outbreak and the social unrest in Hong Kong;

(m) The Offer Price represents a premium of approximately 57.1% and 14.9% to the price targets of S$0.49 and S$0.67 respectively estimated by analysts;

(n) We note that the dividend yield of the Company for FY2019 based on the Offer Price is approximately 1.30%. This suggests that Shareholders who accept the Offer may potentially experience an increase in dividend income if they reinvest the proceeds from the Offer in the shares of Comparable Companies;

(o) As at the Latest Practicable Date, pursuant to the Reinvestment Irrevocable Undertakings, the Offeror has received irrevocable undertakings to accept the Offer in respect of an aggregate of 397,143,308 Shares, representing approximately 70.53% of the total number of issued Shares;

(p) The Company has confirmed that there is no alternative or competing offer available to the Shareholders as at the Latest Practicable Date. In the event of an alternative or competing offer, we note that unless the Reinvestment Undertaking Shareholders accept such alternative or competing offer, any offer made by any third parties would not be capable of becoming unconditional;

(q) The intention of the Offeror to exercise any rights of Compulsory Acquisition in the event that the Offeror acquires not less than 90% of the total number of issued Shares (other than those already held by the Offeror, its related corporations or their respective nominees as at the Offer Announcement Date and excluding any Shares held by the Company as treasury shares); and

(r) The Offeror and the Consortium Members do not intend to support any action taken or to be taken to meet the Free Float Requirement or maintain the present listing status of the Company and the Offeror intends, and reserves its right, to take steps at an appropriate time, whether during or after the Offer, to seek a voluntary delisting of the Company from the SGX-ST, where permitted by, and in accordance with, the relevant requirements of the Listing Manual and the Code.

**11. RECOMMENDATION**

Based on our opinion, we advise the Independent Directors to recommend that Shareholders accept the Offer, unless Shareholders are able to obtain a price higher than the Offer Price on the open market, taking into account all the brokerage commissions or transactions costs in connection with open market transactions.

We also advise the Independent Directors to consider highlighting to the Shareholders that there is no assurance that the price of the Shares will remain at current levels after the close or lapse of the Offer and the current price performance of the Shares may not be indicative of the future price performance levels of the Shares.

Independent Directors should also note that transactions of the Shares are subject to possible market fluctuations and accordingly, our opinion on the Offer does not and cannot take into account the future transactions or price levels that may be established for the Shares since these are governed by factors beyond the ambit of our review.

This letter is addressed to the Independent Directors for their benefit, in connection with and for the purpose of their consideration of the financial terms of the Offer. The recommendation made by them to the Shareholders in relation to the Offer shall remain the sole responsibility of the Independent Directors.

Whilst a copy of this letter may be reproduced in the Circular, neither the Company nor the Directors may reproduce, disseminate or quote this letter (or any part thereof) for any other purpose at any time and in any manner without the prior written consent of PPCF in each specific case. This opinion is governed by, and construed in accordance with, the laws of Singapore, and is strictly limited to the matters stated herein and does not apply by implication to any other matter.

Yours faithfully,
For and on behalf of
**PrimePartners Corporate Finance Pte. Ltd.**

Mark Liew
Chief Executive Officer and Executive Director

## 1. DIRECTORS

The names, addresses and designations of the Directors as at the Latest Practicable Date are set out below:

| Name | Address | Designation |
|---|---|---|
| Dr. George Quek Meng Tong | c/o 30 Tai Seng Street<br>#09-01 BreadTalk IHQ<br>Singapore 534013 | Chairman |
| Ms. Katherine Lee Lih Leng | c/o 30 Tai Seng Street<br>#09-01 BreadTalk IHQ<br>Singapore 534013 | Deputy Chairman |
| Mr. Ong Kian Min | c/o 30 Tai Seng Street<br>#09-01 BreadTalk IHQ<br>Singapore 534013 | Lead Independent Director |
| Mr. Chan Soo Sen | c/o 30 Tai Seng Street<br>#09-01 BreadTalk IHQ<br>Singapore 534013 | Independent Director |
| Dr. Tan Khee Giap | c/o 30 Tai Seng Street<br>#09-01 BreadTalk IHQ<br>Singapore 534013 | Independent Director |
| Mr. Soh Chin Hua | c/o 30 Tai Seng Street<br>#09-01 BreadTalk IHQ<br>Singapore 534013 | Non-Executive Director |

## 2. REGISTERED OFFICE

The registered office of the Company is at 30 Tai Seng Street, #09-01 BreadTalk IHQ, Singapore 534013.

## 3. PRINCIPAL ACTIVITIES

The Company was incorporated under the laws of Singapore on 6 March 2003 and was listed on the SGX-ST Sesdaq in 2003 and on the Main Board of the SGX-ST in 2009.

The principal activity of the Company is that of investment holding and provision of management services. The Group is a global food and beverage lifestyle group, managing 13 different food and beverage brands, with close to 1,000 outlets spanning 16 countries, supported by a global staff strength of 7,000.

## 4. SHARE CAPITAL

### 4.1 Issued share capital

The Company has one class of shares, being ordinary shares. As at the Latest Practicable Date, the issued and paid-up share capital of the Company is S$33,303,000 comprising 563,067,342 Shares (excluding treasury shares). As at the Latest Practicable Date, the Company holds 719,134 treasury shares. The issued Shares are listed and quoted on the Main Board of the SGX-ST.

### 4.2 Capital, dividends and voting

The rights of Shareholders in respect of capital, dividends and voting are contained in the Constitution, which is available for inspection at the registered office of the Company at 30 Tai Seng Street, #09-01 BreadTalk IHQ, Singapore 534013 during normal business hours for the period during which the Offer remains open for acceptance. The relevant provisions of the Constitution relating to the rights of Shareholders in respect of capital, dividends and voting have been extracted from the Constitution and are set out in **Appendix III** to this Circular. Capitalised terms and expressions not defined in the extracts have the meanings ascribed to them in the Constitution.

### 4.3 Number of Shares issued since the end of the last financial year

No Shares have been issued by the Company since the end of the last financial year up to the Latest Practicable Date.

### 4.4 Options and convertible instruments

As at the Latest Practicable Date, there are up to 422,237 BTG Awards outstanding. Under the rules of the BreadTalk RSG Plans, the outstanding BTG Awards are personal to the holders of the outstanding BTG Awards and are not transferable. In view of this restriction, the Offeror will not make an offer to acquire the outstanding BTG Awards. For the avoidance of doubt, the Offer will be extended to all new Shares unconditionally issued or to be issued, or treasury shares unconditionally delivered or to be delivered, as the case may be, pursuant to the valid vesting and release of any outstanding BTG Awards on or prior to the final closing date of the Offer.

Save as disclosed above, there are no outstanding instruments convertible into, rights to subscribe for, and options in respect of securities being offered for or which carry voting rights affecting the Shares in the Company, as at the Latest Practicable Date.

## 5. DISCLOSURE OF INTERESTS

### 5.1 Interests of the Company in Offeror Securities

The Company does not have any direct or indirect interests in the Offeror Securities as at the Latest Practicable Date.

### 5.2 Dealings in Offeror Securities by the Company

The Company has not dealt for value in the Offeror Securities during the period commencing three months prior to the Offer Announcement Date and ending on the Latest Practicable Date.

### 5.3 Interests of Directors in Offeror Securities

Save as disclosed below and in the Offer Document, none of the Directors has any direct or indirect interests in the Offeror Securities as at the Latest Practicable Date.

(a) **Dr. George Quek Meng Tong**: As at the Latest Practicable Date, GQ has a direct interest in 1 share representing 50% of the total shareholding of Piece, which holds 749 shares representing 74.9% of the Offeror's shares. His wife, KL, has a direct interest in 1 share representing the other 50% of the total shareholding of Piece. Piece holds 749 shares representing 74.9% of the Offeror's shares.

(b) **Ms. Katherine Lee Lih Leng**: As at the Latest Practicable Date, KL has a direct interest in 1 share representing 50% of the total shareholding of Piece, which holds 749 shares representing 74.9% of the Offeror's shares. Her husband, GQ, has a direct interest in 1 share representing the other 50% of the total shareholding of Piece.

### 5.4 Dealings in Offeror Securities by the Directors

None of the Directors has dealt for value in the Offeror Securities during the period commencing three months prior to the Offer Announcement Date and ending on the Latest Practicable Date.

### 5.5 Interests of the Directors in the Company Securities

Save as disclosed below, as at the Latest Practicable Date, none of the Directors has any direct or indirect interests in the Company Securities:

| Name of Director | Direct interest | | Deemed interest | | Total interest | |
|---|---|---|---|---|---|---|
| | No. of Shares | %(1) | No. of Shares | %(1) | No. of Shares | %(1) |
| GQ(2)(3) | 191,375,320(5) | 33.99 | 125,813,388 | 22.34 | 317,188,708 | 56.33 |
| KL(2)(4) | 104,830,040(6) | 18.62 | 212,358,668 | 37.71 | 317,188,708 | 56.33 |
| Mr. Ong Kian Min | 240,000 | 0.04 | – | – | 240,000 | 0.04 |

**Notes:**

(1) Based on 563,067,342 issued Shares as at the Latest Practicable Date. For the purposes of the table above, all percentage figures are rounded to the nearest two decimal places.

(2) Each of GQ and KL is deemed to be interested in 20,983,348 Shares held by Square, pursuant to the Securities and Futures Act, Chapter 289 of Singapore.

(3) GQ is deemed to be interested in 104,830,040 Shares held by his spouse, KL, pursuant to the Companies Act.

(4) KL is deemed to be interested in 191,375,320 Shares held by her spouse, GQ, pursuant to the Companies Act.

(5) Out of these Shares owned by GQ, 190,505,550 Shares (representing approximately 33.83 per cent. of the total number of Shares in issue as at the Latest Practicable Date) are subject to a share pledge given in favour of certain financial institutions.

(6) Out of these Shares owned by KL, 103,095,550 Shares (representing approximately 18.31 per cent. of the total number of Shares in issue as at the Latest Practicable Date) are subject to a share pledge given in favour of certain financial institutions.

5.6 **Dealings in Company Securities by the Directors**

None of the Directors has dealt for value in the Company Securities during the period commencing three months prior to the Offer Announcement Date and ending on the Latest Practicable Date.

5.7 **Company Securities owned or controlled by the IFA**

As at the Latest Practicable Date, none of the IFA nor any funds whose investments are managed by the IFA on a discretionary basis owns or controls any Company Securities.

5.8 **Dealings in Company Securities by the IFA**

None of the IFA nor any funds whose investments are managed by the IFA on a discretionary basis has dealt for value in any Company Securities during the period commencing three (3) months prior to the Offer Announcement Date and ending on the Latest Practicable Date.

5.9 **Directors' Intentions in relation to the Offer**

As at the Latest Practicable Date, the Directors who hold or have a deemed interest in the Shares have indicated their intention in relation to accepting or rejecting the Offer in respect of such Shares as follows:

(a) As set out in the Offer Document, each of GQ and KL has given Reinvestment Irrevocable Undertakings to, *inter alia*:

(i) each tender all the Shares that he/she holds in aggregate as at the date of the Reinvestment Irrevocable Undertakings and any other Shares which he/she may subsequently acquire (directly or indirectly or through a nominee) after the date of the Reinvestment Irrevocable Undertakings, in acceptance of the Offer by such date as may be designated by the Offeror after the date the Offer becomes or is declared unconditional in all respects in accordance with the procedures prescribed in the Offer Document and the relevant form(s) of acceptance accompanying it; and

(ii) reinvest the entire amount of the consideration due to him/her for his/her Shares under the Offer to subscribe, indirectly, through Piece, for new Offeror Shares at a subscription price based on the Offer Price by such date as may be designated by the Offeror after the close of the Offer or, in the event the Offeror becomes entitled to and exercises its right under Section 215(1) of the Companies Act to compulsorily acquire all the Shares of the Dissenting Shareholders, after the date of completion of such compulsory acquisition (or such other date as may be agreed between the Offeror and GQ or KL (as the case may be)).

(b) Mr. Ong Kian Min has informed the Company that he intends to tender the 240,000 Shares held by him in acceptance of the Offer.

Each of Mr. Chan Soo Sen, Dr. Tan Khee Giap and Mr. Soh Chin Hua does not have any direct or indirect interest in the Shares.

## 6. OTHER DISCLOSURES

### 6.1 Directors' service contracts

As at the Latest Practicable Date:

(a) there are no service contracts between any of the Directors or proposed directors with the Company or any of its subsidiaries which have more than 12 months to run and which are not terminable by the employing company within the next 12 months without paying any compensation; and

(b) there are no such service contracts entered into or amended during the period commencing six months prior to the Offer Announcement Date and ending on the Latest Practicable Date.

### 6.2 Arrangements affecting Directors

As at the Latest Practicable Date, save as disclosed in this Circular and the Offer Document:

(a) there are no agreements or arrangements made between any Director and any other person in connection with or conditional upon the outcome of the Offer;

(b) it is not proposed that any payment or other benefit shall be made or given to any Director or director of any other corporation which is by virtue of Section 6 of the Companies Act deemed to be related to the Company, as compensation for loss of office or otherwise in connection with the Offer; and

(c) none of the Directors has a material personal interest, whether direct or indirect, in any material contract entered into by the Offeror.

## 7. MATERIAL CONTRACTS WITH INTERESTED PERSONS

As at the Latest Practicable Date, save as disclosed in any information on the Group which is publicly available (including without limitation the announcements, financial statements and annual reports released by the Company on SGXNET), neither the Company nor any of its subsidiaries has entered into material contracts (other than those entered into in the ordinary course of business) with persons who are interested persons during the period commencing three years before the Offer Announcement Date and ending on the Latest Practicable Date.

## 8. MATERIAL LITIGATION

As at the Latest Practicable Date, save as disclosed in any information on the Group which is publicly available (including without limitation the announcements, financial statements and annual reports released by the Company on SGXNET), none of the Company or its subsidiaries is engaged in any material litigation, either as plaintiff or defendant, which might materially and adversely affect the financial position of the Company or the Group, taken as a whole. As at the Latest Practicable Date, the Directors are not aware of any litigation, claims or proceedings pending or threatened against the Company or any of its subsidiaries or of any facts likely to give rise to any litigation, claims or proceedings, which might materially and adversely affect the financial position of the Company or the Group, taken as a whole.

## 9. FINANCIAL INFORMATION

### 9.1 Consolidated statements of comprehensive income

A summary of the audited consolidated statement of comprehensive income of the Group for FY2017 and FY2018 and the unaudited consolidated statement of comprehensive income of the Group for FY2019 is set out below.

| | **Unaudited FY2019** | **Audited FY2018** | **Audited FY2017 (Restated)** |
|---|---|---|---|
| | **$'000** | **$'000** | **$'000** |
| Revenue | 664,930 | 609,796 | 599,579 |
| Cost of sales | (295,427) | (266,650) | (266,465) |
| Gross profit | 369,503 | 343,146 | 333,114 |
| Other income | 44,118 | 31,185 | 33,178 |
| Interest income | 1,723 | 3,158 | 2,234 |
| Distribution and selling expenses | (280,197) | (243,264) | (241,674) |
| Administrative expenses | (105,248) | (92,077) | (80,850) |
| **Interest expense** | | | |
| Borrowings | (8,782) | (9,206) | (5,420) |
| Leases | (13,288) | – | – |
| Profit before tax and share of results of joint ventures | 7,829 | 32,942 | 40,582 |
| Share of results of associates | 14 | (1,165) | (883) |
| Share of results of joint ventures | (727) | (634) | 1,097 |
| Profit before tax | 7,116 | 31,143 | 40,796 |
| Taxation | (10,981) | (11,425) | (11,047) |
| Profit after tax | (3,865) | 19,718 | 29,749 |
| Attributable to: | | | |
| **Shareholders of the Company** | **(5,245)** | **15,191** | **21,680** |
| Non-controlling interests | 1,380 | 4,527 | 8,069 |
| | (3,865) | 19,718 | 29,749 |
| **Other comprehensive income:** | | | |
| Net gain on revaluation of leasehold land and property | 44,140 | – | – |
| Net gain on investment securities | – | (15) | 15 |
| Foreign currency translation | (1,336) | 196 | (1,656) |
| Other comprehensive (loss) income for the period, net of tax | 42,804 | 181 | (1,641) |
| Total comprehensive income for the period | 38,939 | 19,899 | 28,108 |
| Attributable to: | | | |
| **Shareholders of the Company** | **37,559** | **15,372** | **20,039** |
| Non-controlling interests | 1,380 | 4,527 | 8,069 |
| | 38,939 | 19,899 | 28,108 |
| **Earnings per share (cents)** | | | |
| Basic | (0.93) | 2.7 | 3.85[1] |
| Diluted | (0.93) | 2.7 | 3.85[1] |
| **Dividends per share (cents)** | 1.00 | 1.50 | 3.50[1] |

**Note:**

(1) For comparative purposes, the earnings per share and dividends per share for FY2017 are as adjusted for the share split of every one existing Share into two Shares, the completion of which was announced by the Company on 17 May 2018.

The above summary is extracted from, and should be read together with, the annual reports of the Company for FY2017 and FY2018 and the FY2019 Results, and the related notes thereto, copies of which are available for inspection at the Company's registered office as mentioned in **Section 15** of this Circular.

The audited consolidated financial statements of the Group for FY2018, and the FY2019 Results are reproduced in **Appendices IV** and **V** to this Circular respectively.

### 9.2 Consolidated statement of financial position

A summary of the audited consolidated statement of financial position of the Group as at 31 December 2018 and the unaudited consolidated statement of financial position of the Group as at 31 December 2019 is set out below.

| | **Unaudited 31 December 2019 $'000** | **Audited 31 December 2018 $'000** |
|---|---|---|
| **Non-current assets** | | |
| Property, plant and equipment | 712,464 | 173,413 |
| Investment property | 39,196 | 39,748 |
| Intangible assets | 94,490 | 6,071 |
| Investment securities | 73,610 | 83,149 |
| Investment in subsidiaries | – | – |
| Investment in associates | 25,764 | 26,226 |
| Investment in joint ventures | 6,107 | 8,684 |
| Other receivables | 1,770 | 838 |
| Due from related corporations | – | – |
| Deferred tax assets | 1,969 | 2,340 |
| | 955,370 | 340,469 |
| **Current assets** | | |
| Investment securities | 36,166 | 4,797 |
| Inventories | 15,118 | 11,304 |
| Trade and other receivables | 79,621 | 57,947 |
| Prepayments | 8,564 | 5,942 |
| Tax recoverable | 884 | 315 |
| Due from related corporations | 2,507 | 1,124 |
| Amount due from minority shareholders of subsidiaries (non-trade) | 1,408 | 1,986 |
| Cash and cash equivalents | 157,587 | 184,975 |
| | 301,855 | 268,390 |

| | Unaudited 31 December 2019 $'000 | Audited 31 December 2018 $'000 |
|---|---|---|
| **Current liabilities** | | |
| Trade and other payables | 105,659 | 97,524 |
| Other liabilities | 80,773 | 78,657 |
| Provision for reinstatement cost | 21,319 | 15,768 |
| Due to related corporations | 2,206 | 3,024 |
| Loan from a minority shareholder of a subsidiary | 200 | 200 |
| Short term loans | 137,910 | 5,944 |
| Notes payables | 99,601 | 75,000 |
| Current portion of long-term loans | 109,409 | 16,631 |
| Tax payable | 14,515 | 12,186 |
| Lease liabilities | 151,570 | – |
| | 723,162 | 304,934 |
| **Net current (liabilities)/assets** | **(421,307)** | **(36,544)** |
| **Non-current liabilities** | | |
| Long-term loans | – | 28,849 |
| Notes payables | – | 99,511 |
| Loan from a minority shareholder of a subsidiary | 111 | 535 |
| Other liabilities | 16 | 7,641 |
| Deferred tax liabilities | 14,274 | 4,653 |
| Lease liabilities | 336,685 | – |
| | 351,086 | 141,189 |
| Net assets | 182,977 | 162,736 |
| **Share capital and reserves** | | |
| Share capital | 33,303 | 33,303 |
| Treasury shares | (415) | (247) |
| Accumulated profits | 67,820 | 96,128 |
| Other reserves | 46,649 | 4,476 |
| | 147,357 | 133,660 |
| Non-controlling interests | 35,620 | 29,076 |
| Total equity | 182,977 | 162,736 |

The above summary is extracted from, and should be read together with, the annual report of the Company for FY2018 and the FY2019 Results and the relevant financial statements and the related notes thereto, which are reproduced in **Appendices IV** and **V** to this Circular respectively.

9.3 **Significant accounting policies**

The audited consolidated financial statements of the Group for FY2018 have been prepared in accordance with the provisions of the Companies Act and the Singapore Financial Reporting Standards (International) ("**SFRS(I)**"). A summary of the significant accounting policies of the Group is set out in Note 2 of the audited consolidated financial statements of the Group for FY2018, which is reproduced in **Appendix IV** to this Circular.

The Group has applied the same accounting policies and methods of computation in the financial statements for FY2019 compared with the audited annual financial statements for FY2018, except for (a) the adoption of the new SFRS(I) which are effective for FY2019, and (b) changing from cost model to revaluation model for its leasehold land and property in accordance to SFRS(I) 1-16 – Property, Plant and Equipment.

Save as disclosed above, in the notes to the audited consolidated financial statements of the Group for FY2018 and in the FY2019 Results, there are no significant accounting policies or any matter from the notes of the financial statements of the Group which are of any major relevance for the interpretation of the financial statements of the Group.

9.4 **Changes in accounting policies**

As at the Latest Practicable Date, save as disclosed in this Circular and in publicly available information on the Group (including without limitation the announcements, financial statements and annual reports released by the Company on SGXNET), there has been no change in the accounting policies of the Group which will cause the figures set out in paragraphs 9.1 and 9.2 of **Appendix II** to this Circular to be not comparable to a material extent.

9.5 **Material changes in financial position**

Save as disclosed in this Circular and in publicly available information on the Group (including but not limited to the audited consolidated financial statements of the Group for FY2018 and in the FY2019 Results), as at the Latest Practicable Date, there has been no known material change in the financial position of the Company since 31 December 2018, being the date of the last published audited financial statements of the Group.

9.6 **Material change in information**

Consistent with the Company's adoption of the new SFRS(I) which are effective for FY2019, and change from cost model to revaluation model for its leasehold land and property as set out in paragraph 9.5 of **Appendix II** to this Circular, the Company had commissioned independent valuations of the Subject Properties for the purpose of preparation of the audited financial statements for FY2019. The valuation of the Subject Properties is as set out below and have been included as part of the IFA's consideration in the IFA Letter.

| Subject Property | Valuation as at 31 December 2019 under respective Valuation Report |
|---|---|
| 30 Tai Seng Street, BreadTalk IHQ, Singapore 534013 | S$116,000,000 |
| Unit 1103 and 1105, Level 10, 89 Jianguo Road, Chaoyang District, Beijing | RMB37,959,800 |
| 22/22A Lorong Mambong, Singapore 277681 | S$17,500,000 |
| Units 1601 to 1618, 158 Longqi Road, Shijiang District, Shanghai | RMB112,355,500 |

Copies of the Valuation Reports are available for inspection at the Company's registered office as mentioned in **Section 15** of this Circular.

Save as disclosed in this Circular and save for the information relating to the Company and the Offer that is publicly available, there has been no material change in any information previously published by or on behalf of the Company during the period commencing from the Offer Announcement Date and ending on the Latest Practicable Date.

As noted in earlier announcements by the Company and the FY2019 Results, the Company has reported net loss by the Group for FY2019 due to difficult business operating environments. As part of the Company's plans to improve the financial performance of the Group, the Company is exploring potential corporate actions including the disposal of its non-core assets. This is consistent with the Offeror's intentions for the Company which are reproduced in **Section 6** of this Circular, that "[t]he Offeror intends for the Company to refocus on and strengthen core business activities and explore potential corporate actions including the disposal of non-core property assets". Any such corporate actions will depend on suitable opportunities and terms and may or may not materialise. The Company will release further announcements if and when there are any material developments which warrant disclosure, in accordance with its obligations under the Listing Manual.

9.7 **Statements of Aspirational Nature**

The Company had on 29 October 2019, issued an announcement (the "**October 2019 Announcement**") in response to queries from the SGX-ST to confirm and clarify certain information in the Business Times Reports relating to the Company's targets to achieve an 8% Group profit margin and a market capitalisation of S$1 billion by 2022 (the "**2022 Statements**"). References to the 2022 Statements were also made in the CNBC Interview.

The Company wishes to reiterate and highlight that as stated in the October 2019 Announcement, statements made in relation to the 2022 Statements (including in the CNBC Interview), were purely aspirational in nature and are not intended to be profit forecasts, estimations or projections, and should not be treated as such.

## 10. GENERAL

### 10.1 Costs and expenses

All expenses and costs incurred by the Company in relation to the Offer will be borne by the Company.

### 10.2 Consents

PrimePartners Corporate Finance Pte. Ltd. has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of (i) its name, (ii) the IFA Letter, and all references thereto in the form and context in which they appear in this Circular.

Ernst & Young LLP, named as the auditors of the Company, has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of the independent auditor's report in relation to the audited financial statements of the Group for FY2018 as set out in **Appendix IV** of this Circular, and the references to its name in the form and context in which they appear in this Circular.

# APPENDIX III
# RELEVANT PROVISIONS OF THE CONSTITUTION OF THE COMPANY

The provisions in the Constitution relating to the rights of Shareholders in respect of capital, dividends and voting have been reproduced below.

All capitalised terms used in the following extracts shall have the same meanings ascribed to them in the Constitution and/or the Companies Act, a copy of which is available for inspection at the registered office of the Company at 30 Tai Seng Street, #09-01 BreadTalk IHQ, Singapore 534013 during normal business hours for the period during which the Offer remains open for acceptance.

## (A) RIGHTS IN RESPECT OF CAPITAL

*Issue of New Shares*

*"10) Subject to the Statutes and this Constitution, no shares may be issued by the Directors without the prior sanction of an ordinary resolution of the Company in general meeting but subject thereto to any special rights attached to any shares for the time being issued, the Directors may issue, allot or grant options over or otherwise deal with or dispose of the same to such persons on such terms and conditions and for such consideration and at such time and subject or not to the payment of any part of the amount thereof in cash as the Directors may think fit, and any shares may be issued in such denominations or with such preferential, deferred, qualified or special rights, privileges or conditions as the Directors may think fit, and preference shares may be issued which are or at the option of the Company are liable to be redeemed, the terms and manner of redemption being determined by the Directors, provided always that:*

*(i) the issue of preference shares shall be subject to the requirements of the listing rules of the Exchange; and*

*(ii) the rights attaching to shares of a class other than ordinary shares shall be expressed in the resolution creating the same.*

*Rights attached to certain shares*

*11) (1) Preference shareholders shall have the same rights as ordinary shareholders as regards the receiving of notices, reports and balance sheets and the attending of General Meetings of the Company. Preference shareholders shall also have the right to vote at any meeting convened for the purpose of reducing the capital or winding up or sanctioning a sale of the undertaking of the Company or where the proposal to be submitted to the meeting directly affects their rights and privileges or when the dividend on the preference shares is more than six months in arrears.*

*(2) The Company has power to issue further preference capital ranking equally with, or in priority to, preference shares from time to time already issued or about to be issued.*

*Variation of rights*

*12) (1) If at any time the share capital is divided into different classes, the repayment of preference capital other than redeemable preference capital and the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may, subject to the provisions of the Act, whether or not the Company is being wound up, only be made, varied or abrogated with the sanction of a Special*

*Resolution passed at a separate General Meeting of the holders of shares of the class and to every such Special Resolution the provisions of Section 184 of the Act shall, with such adaptations as are necessary, apply. To every such separate General Meeting the provisions of this Constitution relating to General Meetings shall mutatis mutandis apply; but so that the necessary quorum shall be two persons at least holding or representing by proxy or by attorney one-third of the issued shares of the class and that any holder of shares of the class present in person or by proxy or by attorney may demand a poll. Provided always that where the necessary majority for such a Special Resolution is not obtained at the Meeting, consent in writing if obtained from the holders of three-fourths of the issued shares of the class concerned within two months of the Meeting shall be as valid and effectual as a Special Resolution carried at the Meeting.*

*(2) The repayment of preference capital other than redeemable preference or any other alteration of preference shareholder rights, may only be made pursuant to a special resolution of the preference shareholders concerned. PROVIDED ALWAYS that where the necessary majority for such a special resolution is not obtained at the Meeting, consent in writing if obtained from the holders of three-fourths of the preference shares concerned within two months of the Meeting, shall be as valid and effectual as a special resolution carried at the Meeting.* *Rights of Preference Shareholders*

*13) The Company shall not exercise any rights in respect of treasury shares other than as provided by the Act. Subject thereto, the Company may hold or deal with its treasury shares in the manner authorised by, or prescribed pursuant to, the Act.* *Treasury Shares*

*14) The rights conferred upon the holders of the shares of any class issued with preferred or other rights shall, unless otherwise expressly provided by the terms of issue of the shares of that class or by this Constitution as is in force at the time of such issue, be deemed to be varied by the creation or issue of further shares ranking equally therewith.* *Creation or issue of further shares with special rights*

*15) The Company may pay commissions or brokerage on any issue of shares at any rate or amount and in such manner as the Directors may deem fit subject to compliance with the Act. Such commissions or brokerage may be satisfied by the payment of cash or the allotment of full or partly paid shares, or partly in one way and partly in the other.* *Power to pay commission and brokerage*

*16) If any shares of the Company are issued for the purpose of raising money to defray the expenses of the construction of any works or buildings or the provision of any plant which cannot be made profitable for a lengthened period, the Company may, subject to the conditions and restrictions mentioned in the Act, pay interest on so much of the share capital (except treasury shares) as is for the time being paid up and may charge the same to capital as part of the cost of the construction or provision.* *Power to charge interest on capital*

17) *Except as required by law, no person shall be recognised by the Company as holding any share upon any trust and the Company shall not be bound by or compelled in any way to recognise (even when having notice thereof) any equitable, contingent, future or partial interest in any share or any interest in any fractional part of a share or (except only as by this Constitution or by law otherwise provided) any other rights in respect of any share, except an absolute right to the entirety thereof in the person (other than the Depository) entered in the Register of Members as the registered holder thereof or (where the person entered in the Register of Members as the registered holder of a share is the Depository) the person whose name is entered in the Depository Register in respect of that share, except only where this Constitution otherwise provides or as required by the Statutes or pursuant to any order of Court. Nothing contained herein in this Regulation relating to the Depository or the Depositors or in any depository agreement made by the Company with any common depository for shares or in any notification of substantial shareholding to the Company or in response to a notice pursuant to Part VII of the Securities and Futures Act (Cap. 289) or any note made by the Company of any particulars in such notification or response shall derogate or limit or restrict or qualify these provisions; and any proxy or instructions on any matter whatsoever given by the Depository or Depositors to the Company or the Directors shall not constitute any notification of trust and the acceptance of such proxies and the acceptance of or compliance with such instructions by the Company or the Directors shall not constitute the taking of any notice of trust.* *No trust recognised*

24) *Subject to this Constitution, any Member may transfer all or any of his shares but every instrument of transfer of the legal title in shares must be in writing and in the form for the time being approved by the Directors and the Exchange. Shares of different classes shall not be comprised in the same instrument of transfer. The Company shall accept for registration transfers in the form approved by the Exchange.* *Form of transfer of shares*

25) *The instrument of transfer of a share shall be signed by or on behalf of the transferor and the transferee and be witnessed, provided that an instrument of transfer in respect of which the transferee is the Depository shall not be ineffective by reason of it not being signed or witnessed for by or on behalf of the Depository. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the Register of Members.* *Execution*

26) *No share shall in any circumstances be transferred to any infant, bankrupt, or person who is mentally disordered and incapable of managing himself or his affairs.* *Person under disability*

*Directors' power to decline to register*

*27) (1) Subject to this Constitution, the Act or as required by the Exchange, there shall be no restriction on the transfer of fully paid up shares except where required by law or by rules, byelaws or listing rules of the Exchange but the Directors may in their discretion decline to register any transfer of shares upon which the Company has a lien and in the case of shares not fully paid up may refuse to register a transfer to a transferee of whom they do not approve. If the Directors shall decline to register any such transfer of shares, they shall give to both the transferor and the transferee written notice of their refusal to register as required by the Act and the listing rules of the Exchange.*

*Terms of registration of transfers*

*(2) The Directors may decline to register any instrument of transfer unless:*

*(i) such fee not exceeding S$2 (or such other fee as the Directors may determine having regard to any limitation thereof as may be prescribed by any stock exchange upon which the shares of the Company may be listed) as the Directors may from time to time require, is paid to the Company in respect thereof;*

*(ii) the instrument of transfer, duly stamped in accordance with any law for the time being in force relating to stamp duty, is deposited at the Office or at such other place (if any) as the Directors appoint accompanied by a certificate of payment of stamp duty (if any is payable), the certificates of the shares to which the transfer relates, and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer and, if the instrument of transfer is executed by some other person on his behalf, the authority of the person so to do; and*

*(iii) the instrument of transfer is in respect of only one class of shares.*

*Retention of transfers*

*28) (1) All instruments of transfer which are registered may be retained by the Company, but any instrument of transfer which the Directors may decline to register shall (except in the case of fraud) be returned to the person depositing the same.*

*(2) Subject to any legal requirements to the contrary, the Company shall be entitled to destroy all instruments of transfer which have been registered at any time after the expiration of six years from the date of registration thereof and all dividend mandates and notifications of change of address at any time after the expiration of six years from the date of recording thereof and all share certificates which have been cancelled at any time after the expiration of six years from the date of the cancellation thereof and it shall be conclusively presumed in the favour of the Company that every entry in the Register of Members purporting to have been made on the basis of an instrument of transfer or other documents so destroyed was duly and properly*

*made and every instrument of transfer so destroyed was a valid and effective instrument duly and properly registered and every share certificate so destroyed was a valid and effective certificate duly and properly cancelled and every other document hereinbefore mentioned so destroyed was a valid and effective document in accordance with the recorded particulars thereof in the books or records of the Company. PROVIDED always that:*

*(i) the provisions aforesaid shall apply only to the destruction of a document in good faith and without notice of any claim (regardless of the parties thereto) to which the document might be relevant;*

*(ii) nothing herein contained shall be construed as imposing upon the Company any liability in respect of the destruction of any such document earlier than as aforesaid or in any circumstances which would not attach to the Company in the absence of this Regulation; and*

*(iii) references herein to the destruction of any document include references to the disposal thereof in any manner.*

*Closing of Register*

*29) The Register of Members and the Depository Register may be closed at such times and for such period as the Directors may from time to time determine, provided always that the Registers shall not be closed for more than thirty days in the aggregate in any year. Provided always that the Company shall give prior notice of such closure as may be required to the Exchange, stating the period and purpose or purposes for which the closure is made.*

*Renunciation of allotment*

*30) (1) Nothing in this Constitution shall preclude the Directors from recognising a renunciation of the allotment of any share by the allottee in favour of some other person.*

*Indemnity against wrongful transfer*

*(2) Neither the Company nor its Directors nor any of its officers shall incur any liability for registering or acting upon a transfer of shares apparently made by sufficient parties, although the same may, by reason of any fraud or other cause not known to the Company or its Directors or other officers, be legally inoperative or insufficient to pass the property in the shares proposed or professed to be transferred, and although the transfer may, as between the transferor and transferee, be liable to be set aside, and notwithstanding that the Company may have notice that such instrument of transfer was signed or executed and delivered by the transferor in blank as to the name of the transferee or the particulars of the shares transferred, or otherwise in defective manner. And in every such case, the person registered as trustees, administrators and assigns, alone shall be entitled to be recognised as the holder of such shares and the previous holder shall, so far as the Company is concerned, be deemed to have transferred his whole title thereto.*

*Power to increase capital*

*53) The Company in General Meeting may from time to time by Ordinary Resolution, whether all the shares for the time being authorised shall have been issued or all the shares for the time being issued shall have been fully called up or not, increase its capital by the creation of new shares of such amount as may be deemed expedient.*

*Rights and privileges of new shares*

*54) Subject to any special rights for the time being attached to any existing class of shares, the new shares shall be issued upon such terms and conditions and with such rights and privileges annexed thereto as the General Meeting resolving upon the creation thereof shall direct and if no direction be given as the Directors shall determine; subject to the provisions of this Constitution and in particular (but without prejudice to the generality of the foregoing) such shares may be issued with a preferential or qualified right to dividends and in the distribution of assets of the Company or otherwise.*

*Issue of new shares to Members*

*55) (1) Subject to any direction to the contrary that may be given by the Company in General Meeting, or except as permitted under the Exchange's listing rules, all new shares shall before issue be offered to the Members in proportion, as nearly as the circumstances admit, to the number of the existing shares to which they are entitled or hold. The offer shall be made by notice specifying the number of shares offered, and limiting a time within which the offer, if not accepted, will be deemed to be declined, and, after the expiration of that time, or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares offered, the Directors may dispose of those shares in such manner as they think most beneficial to the Company. The Directors may likewise so dispose of any new shares which (by reason of the ratio which the new shares bear to shares held by persons entitled to an offer of new shares) cannot, in the opinion of the Directors, be conveniently offered under this Regulation.*

*(2) Notwithstanding Regulation 55(1) above but subject to the Act and the byelaws and listing rules of the Exchange, the Company may by Section 161 of the Act by Ordinary Resolution in General Meeting give to the Directors a general authority, either unconditionally or subject to such conditions as may be specified in the Ordinary Resolution to:*

*(i) issue shares in the capital of the Company (whether by way of rights, bonus or otherwise); and/or*

*(ii) make or grant Instruments; and/or*

*(iii) (notwithstanding the authority conferred by the Ordinary Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while the Ordinary Resolution was in force;*

*provided that the aggregate number of shares or Instruments to be issued pursuant to the Ordinary Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to the Ordinary Resolution but excluding shares which may be issued pursuant to any adjustments effected under any relevant Instrument) does not exceed any such limit as may be calculated and prescribed by the Exchange.*

*(3) Notwithstanding Regulation 55(1) above but subject to the Act, the Directors shall not be required to offer any new shares to members to whom by reason of foreign securities laws such offers may not be made without registration of the shares or a prospectus or other document, but to sell the entitlements to the new shares on behalf of such Members in such manner as they think most beneficial to the Company.*

*56) Except so far as otherwise provided by the conditions of issue or by this Constitution, any capital raised by the creation of new shares shall be considered part of the original ordinary capital of the Company and shall be subject to the provisions of this Constitution with reference to allotments, payment of calls, lien, transfer, transmission, forfeiture and otherwise.* *New shares otherwise subject to provisions of the Constitution*

*57) (1) The Company may by Ordinary Resolution:* *Power to Consolidate, Cancel, Subdivide, and Convert shares*

*(i) consolidate and divide all or any of its shares;*

*(ii) cancel the number of shares which, at the date of the passing of the resolution, have been forfeited and diminish its share capital in accordance with the Act;*

*(iii) subdivide its shares or any of them (subject, to the provisions of the Act), provided always that in such subdivision the proportion between the amount paid and the amount (if any) unpaid on each reduced share shall be the same as it was in the case of the share from which the reduced share is derived; and*

*(iv) subject to the provisions of this Constitution and the Act, convert its share capital or any class of shares from one currency to another currency.*

*(2) The Company may by Special Resolution, subject to and in accordance with the Act and the listing rules of any stock exchange upon which the shares of the Company may be listed, convert any class of shares into any other class of shares.*

*(3) The Company may purchase or otherwise acquire its issued shares subject to and in accordance with the provisions of the Act and any other relevant rule, law or regulation enacted or promulgated by any relevant competent authority from time to time (collectively, the*

*"Relevant Laws"), on such terms and subject to such conditions as the Company may in general meeting prescribe in accordance with the Relevant Laws. Any shares purchased or acquired by the Company as aforesaid may be cancelled or held as treasury shares and dealt with in accordance with the Relevant Laws. On the cancellation of any share as aforesaid, the rights and privileges attached to that share shall expire and the number of issued shares of the Company shall be diminished by the number of the shares so cancelled, and, where any such cancelled share was purchased or acquired out of the capital of the Company, the amount of share capital of the Company shall be reduced accordingly.*

*58) The Company may by Special Resolution reduce its share capital or any other undistributable reserve in any manner subject to any requirements and consents required by law. Without prejudice to the generality of the foregoing, upon cancellation of any share purchased or otherwise acquired by the Company pursuant to this Constitution and the Act, the number of issued shares of the Company shall be diminished by the number of shares so cancelled, and, where any such cancelled share was purchased or acquired out of the capital of the Company, the amount of share capital of the Company shall be reduced accordingly.* *Power to reduce capital*

*59) The Company may by Ordinary Resolution convert any or all its paid up shares into stock and may from time to time by resolution reconvert any stock into paid up shares of any denomination.* *Power to Convert into stock*

*60) The holders of stock may transfer the same or any part thereof in the same manner and subject to this Constitution as and subject to which the shares from which the stock arose might previously to conversion have been transferred or as near thereto as circumstances admit but no stock shall be transferable except in such units as the Directors may from time to time determine the minimum number of stock units transferable and restrict or forbid the transfer of fractions of that minimum.* *Transfer of stock*

*61) The holders of stock shall, according to the number of stock units held by them, have the same rights, privileges and advantages as regards dividend, return of capital, voting and other matters as if they held the shares from which the stock arose, but no such privilege or advantage (except as regards dividend and return of capital and the assets on winding up) shall be conferred by any such number of stock units which would not if existing in shares have conferred that privilege or advantage, and no such conversion shall affect or prejudice any preference or other special privileges attached to the shares so converted.* *Rights of Stockholders*

*62) All provisions of this Constitution applicable to paid up shares shall apply to stock and the words "share" and "shareholder" or similar expression herein shall include "stock" or "stockholder"."* *Interpretation*

**(B) RIGHTS IN RESPECT OF VOTING**

*Notice of meetings*

*"65) (1) Any General Meeting at which it is proposed to pass a Special Resolution or (save as provided by the Act) a resolution of which special notice has been given to the Company shall be called at least twenty-one days' notice in writing and any Annual General Meeting and any other Extraordinary General Meeting by at least fourteen days' notice in writing (exclusive both of the day on which the notice is given and the day on which the General Meeting is to be held) in the manner hereinafter mentioned to such persons (including the Auditors) as are under the provisions herein contained and the Act entitled to receive notice from the Company and at least fourteen days' notice of such meeting shall be given by advertisement in the daily press and in writing to any stock exchange upon which the Company may be listed.*

*(2) The accidental omission to give notice to, or the non-receipt by any person entitled thereto, shall not invalidate the proceedings at any General Meeting.*

*Contents of notice*

*66) (1) Every notice calling a General Meeting shall specify the place and the day and hour of the Meeting and there shall appear with reasonable prominence in every such notice a statement that a Member entitled to attend and vote is entitled to appoint a proxy to attend and to vote instead of him and that a proxy need not be a Member of the Company.*

*Notice of Annual General Meeting*

*(2) In the case of an Annual General Meeting, the notice shall also specify the Meeting as such.*

*Nature of special business to be specified*

*(3) In the case of any General Meeting at which business other than routine business is to be transacted (special business), the notice shall specify the general nature of the special business, and if any resolution is to be proposed as a Special Resolution or as requiring special notice, the notice shall contain a statement to that effect.*

*Special business*

*67) All business shall be deemed special that is transacted at any Extraordinary General Meeting, and all that is transacted at an Annual General Meeting shall also be deemed special, with the exception of sanctioning a dividend, receiving and adopting the financial statements and Directors' statement, the Auditor's report and other documents required by law to be attached to the financial statements, electing Directors in place of those retiring by rotation or otherwise and the fixing of the Directors' remuneration and the appointment, re-appointment and fixing of the remuneration of the Auditors or determining the manner in which such remuneration is to be fixed. Any notice of a meeting called to consider special business shall be accompanied by a statement regarding the effect of any proposed resolution in respect of such special business.*

*68) No business shall be transacted at any General Meeting unless a quorum is present at the time the meeting proceeds to business. Save as herein otherwise provided, two Members present in person shall form a quorum. For the purpose of this Regulation, "Member" includes a person attending by proxy or by attorney or as representing a corporation which is a Member. Provided that (i) a proxy representing more than one Member shall only count as one Member for the purpose of determining the quorum; and (ii) where a Member is represented by more than one proxy such proxies shall count as only one Member for the purpose of determining the quorum.*

*Quorum*

*69) If within half an hour from the time appointed for the Meeting a quorum is not present, the Meeting if convened on the requisition of Members shall be dissolved. In any other case it shall stand adjourned to the same day in the next week at the same time and place, or to such other day and at such other time and place as the Directors may determine. At the adjourned meeting, any two or more Members present in person or by proxy shall be a quorum, and if at such adjourned Meeting a quorum is not present within half an hour from the time appointed for holding the Meeting, the Meeting shall be dissolved.*

*Adjournment if quorum not present*

*70) Subject to the Act, a resolution in writing signed by every Member of the Company entitled to vote or being a corporation by its duly authorised representative shall have the same effect and validity as an Ordinary Resolution of the Company passed at a General Meeting duly convened, held and constituted, and may consist of several documents in the like form, each signed by one or more of such Members.*

*Resolutions in writing*

*71) The Chairman of the Board of Directors or, in his absence, the Deputy Chairman (if any) shall preside as Chairman at every General Meeting. If there is no such Chairman or Deputy Chairman or if at any Meeting he is not present within fifteen minutes after the time appointed for holding the Meeting or is unwilling to act, the Members present shall choose some Director to be Chairman of the Meeting or, if no Director is present or if all the Directors present are unwilling to take the Chair, or otherwise fail to choose a Director amongst them to be Chairman of the meeting, the Member present shall choose a Member present to be Chairman.*

*Chairman*

*72) The Chairman may, with the consent of any Meeting at which a quorum is present (and shall if so directed by the Meeting), adjourn the Meeting from time to time and from place to place, but no business shall be transacted at any adjourned Meeting except business which might lawfully have been transacted at the Meeting from which the adjournment took place. When a meeting is adjourned for fourteen days or more, notice of the adjourned Meeting shall be given as in the case of the original Meeting. Save as aforesaid, it shall not be necessary to give any notice of an adjournment or of the business to be transacted at an adjourned Meeting.*

*Adjournment*

73) *If required by the listing rules of any stock exchange upon which the shares of the Company may be listed, all resolutions at General Meetings shall be voted by poll (unless such requirement is waived by such stock exchange).* *Method of voting*

*Subject to the above, at any General Meeting a resolution put to the vote of the Meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands) demanded:*

*(i) by the Chairman of the Meeting; or*

*(ii) by at least two Members present in person or by proxy and entitled to vote; or*

*(iii) by any Member or Members present in person or by proxy, holding or representing not less than five per cent of the total voting rights of all the Members having the right to vote at the Meeting; or*

*(iv) by a Member or Members present in person or by proxy or attorney or in the case of a corporation by a representative or any number or combination of such Members, holding or representing shares in the Company conferring a right to vote at the Meeting being shares on which an aggregate sum has been paid up equal to not less than five per cent of the total sum paid up on all the shares (excluding treasury shares) conferring that right.*

*Provided always that no poll shall be demanded on the election of a Chairman or on a question of adjournment. Unless a poll is so demanded (and the demand is not withdrawn) a declaration by the Chairman that a resolution has been carried or carried unanimously or by a particular majority or lost and an entry to that effect in the minute book shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against the resolution. A demand for a poll may be withdrawn.*

74) *If a poll is duly demanded (and the demand is not withdrawn) it shall be taken in such manner (including the use of ballot or voting papers or tickets) as the Chairman may direct and the result of a poll shall be deemed to be the resolution of the Meeting at which the poll was demanded. The Chairman may, and if so requested, or if so required by the Exchange or listing rules of the SGX-ST, shall, appoint scrutineers and may adjourn the Meeting to some place and time fixed by him for the purpose of declaring the result of the poll.* *Taking a poll*

75) *If any votes are counted which ought not to have been counted or might have been rejected, the error shall not vitiate the result of the voting unless it is pointed out at the same Meeting or at any adjournment thereof, and not in that case unless it shall in the opinion of the Chairman be of sufficient magnitude.* *Votes counted in error*

76) *Subject to the Act and the requirements of the Exchange, in the case of equality of votes, whether on a show of hands or on a poll, the Chairman of the Meeting at which the show of hands takes place or at which the poll is demanded shall be entitled to a second or casting vote in addition to the votes to which he may be entitled as a Member or as proxy of a Member.* *Chairman's casting vote*

77) *A poll demanded on any question shall be taken either immediately or at such subsequent time (not being more than thirty days from the date of the Meeting) and place as the Chairman may direct. No notice need be given of a poll not taken immediately.* *Time for taking a poll*

78) *The demand for a poll shall not prevent the continuance of a Meeting for the transaction of any business, other than the question on which the poll has been demanded.* *Continuance of business after demand for a poll*

79) (1) *Subject and without prejudice to any special privileges or restrictions as to voting for the time being attached to any special class of shares for the time being forming part of the capital of the Company and to Regulation 13, each Member entitled to vote may vote in person or by proxy or attorney, and (in the case of a corporation) by a representative. A person entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.* *Voting rights of Members*

(2) *On a show of hands every Member who is present in person or by proxy or attorney, or in the case of a corporation by a representative, shall have one vote provided that:*

(i) *in the case of a Member who is not a relevant intermediary and who is represented by two proxies, only one of the two proxies as determined by their appointor shall vote on a show of hands and in the absence of such determination, only one of the two proxies as determined by the Chairman (or by a person authorised by him) shall vote on a show of hands; and*

(ii) *in the case of a Member who is a relevant intermediary and who is represented by two or more proxies, each proxy shall be entitled to vote on a show of hands.*

(3) *Notwithstanding anything contained in this Constitution, a Depositor shall not be entitled to attend any General Meeting and to speak and vote thereat unless his name is certified by the Depository to the Company as appearing on the Depository Register not later than 72 hours before the time of the relevant General Meeting as a Depositor on whose behalf the Depository holds shares in the Company. For the purpose of determining the number of votes which a Depositor or his proxy may cast on a poll, the Depositor or his proxy shall be deemed to hold or represent that number of shares entered in the Depositor's Securities Account at the Cut-Off Time as certified by the Depository to the Company, or where a Depositor has apportioned the balance standing to his Securities Account as at the Cut-Off Time*

*between two or more proxies, to apportion the said number of shares between such proxies in the same proportion as specified by the Depositor in appointing the proxies; and accordingly no instrument appointing a proxy of a Depositor shall be rendered invalid merely by reason of any discrepancy between the number of shares standing to the credit of that Depositor's Securities Account as at the Cut-Off Time, and the true balance standing to the Securities Account of a Depositor as at the time of the relevant general meeting, if the instrument is dealt with in such manner as aforesaid.*

*80) Where there are joint holders of any share anyone of such persons may vote and be reckoned in a quorum at any Meeting either personally or by proxy or by attorney or in the case of a corporation by a representative as if he were solely entitled thereto but if more than one of such joint holders is so present at any meeting then the person present whose name stands first in the Register of Members or the Depository Register (as the case may be) in respect of such share shall alone be entitled to vote in respect thereof. Several executors or administrators of a deceased Member in whose name any share stands shall for the purpose of this Regulation be deemed joint holders thereof.* *Voting rights of joint holders*

*81) If any Member who is mentally disordered or whose person or estate is liable to be dealt with in any way under the law relating to mental capacity may vote, whether on a show of hands or on a poll, by a person who properly has the management of the estate of the Member, and any such person may vote by proxy or attorney.* *Voting rights of mentally disordered Members*

*82) Subject to the provisions of this Constitution, every Member either personally or by proxy or by attorney or in the case of a corporation by a representative and every proxy shall be entitled to be present and to vote at any General Meeting and to be reckoned in the quorum thereat in respect of shares fully paid and in respect of partly paid shares where calls are not due and unpaid. In the event a member has appointed more than one proxy, only one proxy is counted in determining the quorum.* *Right to vote*

*83) No objection shall be raised to the qualification of any voter except at the Meeting or adjourned Meeting at which the vote objected to is given or tendered and every vote not disallowed at such Meeting shall be valid for all purposes. Any such objection made in due time shall be referred to the Chairman of the Meeting whose decision shall be final and conclusive.* *Objections*

*84) On a poll votes may be given either personally or by proxy or by attorney or in the case of a corporation by its representative and a person entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.* *Votes on a poll*

*Appointment of proxies*

*85) (1) Save as otherwise provided in the Act:*

*(i) a Member who is not a relevant intermediary may appoint not more than two proxies to attend, speak and vote at the same General Meeting. Where such Member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy; and*

*(ii) a Member who is a relevant intermediary may appoint more than two proxies to attend, speak and vote at the same General Meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such Member. Where such Member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.*

*(2) If the Member is a Depositor, the Company shall be entitled:*

*(i) to reject any instrument of proxy lodged if the Depositor is not shown to have any shares entered against its name in the Depository Register as at the Cut-Off Time as certified by the Depository to the Company; and*

*(ii) to accept as validly cast by the proxy or proxies appointed by the Depositor on a poll that number of votes which corresponds to or is less than the aggregate number of shares entered against the name of that Depositor as at the Cut-Off Time as certified by the Depository to the Company, whether that number is greater or smaller than the number specified in any instrument of proxy executed by or on behalf of that Depositor.*

*(3) Where a Member appoints more than one proxy, he shall specify the proportion of his shareholding to be represented by each proxy in the form of proxy. If no such proportion or number is specified, the Company shall be entitled to treat (a) the first named proxy as representing 100% of the shareholding and any second named proxy as an alternate to the first named; or (b) at the Company's option to treat the instrument of proxy as invalid.*

*(4) Voting right(s) attached to any shares in respect of which a Member has not appointed a proxy may only be exercised at the relevant general meeting by the member personally or by his attorney, or in the case of a corporation by its representative.*

*(5) Where a Member appoints a proxy in respect of more shares than the shares standing to his name in the Register of Members, or in the case of a Depositor, standing to the credit of that Depositor's Securities Account as at the Cut-Off Time as certified by the*

*Depository to the Company, such proxy may not exercise any of the votes or rights of the shares not registered to the name of that Member in the Register of Members or standing to the credit of that Depositor's Securities Account as at the Cut-Off Time, as the case may be.*

*(6) If the Chairman is appointed as proxy, he may authorise any other person to act as proxy in his stead. Where the Chairman has authorised another person to act as proxy, such other person shall be taken to represent all Members whom the Chairman represented as proxy.*

*(7) Where a person present at a general meeting represents personally or by proxy, attorney or representative more than one Member on a show of hands:*

*(i) the person is entitled to one vote only despite the number of Members the person represents; and*

*(ii) that vote will be taken as having been cast for all the Members the person represents; and*

*(iii) if the person has been appointed as a proxy under two or more instruments that specify different ways to vote on a resolution, the person may not vote as a proxy on a show of hands, however, if the person is a Member, the person may vote on a show of hands without regard to the proxies the person holds.*

*86) A proxy or attorney need not be a Member, and shall be entitled to vote on a show of hands on any question at any General Meeting* — *Proxy need not be a Member*

*87) Any instrument appointing a proxy shall be in writing in the common form or any other form approved by the Directors and:* — *Instrument appointing a proxy*

*(i) in the case of an individual, shall be:*

*(a) signed by the appointer or his attorney if the instrument is delivered personally or sent by post; or*

*(b) authorised by that individual through such method and in such manner as may be approved by the Directors, if the instrument is submitted by electronic communication; and*

*(ii) in the case of a corporation, shall be:*

*(a) either given under its common seal; or*

*(b) signed on its behalf by an attorney or a duly authorised officer of the corporation if the instrument is delivered personally or sent by post; or*

(c) *authorised by that corporation through such method and in such manner as may be approved by the Directors, if the instrument is submitted by electronic communication.*

*The Directors may, for the purposes of Regulations 87(i)(b) and 87(ii)(c), designate procedures for authenticating any such instrument, and any such instrument not so authenticated by use of such procedures shall be deemed not to have been received by the Company.*

88) *The original instrument appointing a proxy, together with the original power of attorney or other authority, if any, under which the instrument of proxy is signed or a duly certified copy of that power of attorney or other authority (failing previous registration with the Company) shall be attached to the original instrument of proxy and:*

*To be left at Company's office*

(i) *if sent personally or by post, must be left at such place or one of such places (if any) as may be specified for that purpose in or by way of note to or in any document accompanying the notice convening the General Meeting (or, if no place is so specified, at the Office); or*

(ii) *if submitted by electronic communication, must be received through such means as may be specified for that purpose in or by way of note to or in any document accompanying the notice convening the General Meeting.*

89) *A vote given in accordance with the terms of an instrument of proxy (which for the purposes of this Constitution shall also include a power of attorney) shall be valid notwithstanding the previous death or insanity of the principal or revocation of the proxy, or of the authority under which the proxy was executed or the transfer of the share in respect of which the proxy is given, provided that no intimation in writing of such death, insanity, revocation or transfer shall have been received by the Company at the Office (or such other place as may be specified for the deposit of instruments appointing proxies) before the commencement of the Meeting or adjourned Meeting (or in the case of a poll before the time appointed for the taking of the poll) at which the proxy is used.*

*Intervening death or insanity of principal not to revoke proxy*

90) *Any corporation which is a Member may by resolution of its directors or other governing body authorise such person as it thinks fit to act as its representative at any Meeting of the Company or of any class of Members and the persons so authorised shall be entitled to exercise the same powers on behalf of the corporation as the corporation could exercise if it were an individual Member of the Company. The Company shall be entitled to treat an original certificate under the seal of the corporation as conclusive evidence of the appointment or revocation of appointment of a representative under this Regulation."*

*Corporations acting by representatives*

## (C) RIGHTS IN RESPECT OF DIVIDENDS

"132) *The Directors may, with the sanction of the Company, by Ordinary Resolution declare dividends but (without prejudice to the powers of the Company to pay interest on share capital as hereinbefore provided) no dividend shall be payable except out of the profits of the Company.* — *Payment of dividends*

133) *Subject to any rights or restrictions attached to any shares or class of shares and except as otherwise provided by the Act:* — *Apportionment of dividends*

(i) *all dividends in respect of shares must be paid in proportion to the number of shares held by a Member but where shares are partly paid all dividends must be apportioned and paid proportionately to the amounts paid or credited as paid on the partly paid shares; and*

(ii) *all dividends must be apportioned and paid proportionately to the amounts so paid or credited as paid during any portion or portions of the period in respect of which the dividend is paid.*

*For the purposes of this Regulation, an amount paid or credited as paid on a share in advance of a call is to be ignored.*

134) *Without the need for sanction of the Company under Regulation 132, if, and so far as in the opinion of the Directors, the profits of the Company justify such payments, the Directors may pay fixed preferential dividends on any express class of shares carrying a fixed preferential dividend expressed to be payable on a fixed date on the half-yearly or other dates (if any) prescribed for the payment thereof by the terms of issue of the shares, and may also from time to time pay to the holders of any other class of shares interim dividends thereon of such amounts and on such dates as they may think fit.* — *Payment of preference and interim dividends*

135) *No dividend or other moneys payable on or in respect of a share shall bear interest against the Company.* — *Dividends not to bear interest*

136) *The Directors may deduct from any dividend or other moneys payable to any Member on or in respect of a share all sums of money (if any) presently payable by him to the Company on account of calls or in connection therewith, or any other account which the Company is required by law to withhold or deduct.* — *Deduction from dividend*

137) *The Directors may retain any dividend or other moneys payable on or in respect of a share on which the Company has a lien and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists.* — *Retention of dividends on shares subject to lien*

138) *The Directors may retain the dividends payable on shares in respect of which any person is under this Constitution, as to the transmission of shares, entitled to become a Member, or which any person under this Constitution is entitled to transfer, until such person shall become a Member in respect of such shares or shall duly transfer the same.* — *Retention of dividends on shares pending transmission*

*Unclaimed dividends*

*139) (1) The payment by the Directors of any unclaimed dividends or other moneys payable on or in respect of a share into a separate account shall not constitute the Company a trustee in respect thereof. All dividends unclaimed after being declared may be invested or otherwise made use of by the Directors for the benefit of the Company and any dividend unclaimed after a period of six years from the date of declaration of such dividend may be forfeited and if so shall revert to the Company but the Directors may at any time thereafter at their absolute discretion annul any such forfeiture and pay the dividend so forfeited to the person entitled thereto prior to the forfeiture. For the avoidance of doubt no Member shall be entitled to any interest, share of revenue or other benefit arising from any unclaimed dividends, howsoever and whatsoever. If the Depositor returns any such dividend or money to the Company, the relevant Depositor shall not have any right or claim in respect of such dividend or money against the Company if a period of six years has elapsed from the date of the declaration of such dividend or the date on which such other money was first payable.*

*(2) A payment by the Company to the Depositor of any dividend or other money payable to a Depositor shall, to the extent of the payment made, discharge the Company from any liability to the Depositor in respect of that payment.*

*Payment of dividend in specie*

*140) The Company may, upon the recommendation of the Directors, by Ordinary Resolution direct payment of a dividend in whole or in part by the distribution of specific assets and in particular of paid up shares or debentures of any other company or in anyone or more of such ways, and the Directors shall give effect to such Resolution, and where any difficulty arises in regard to such distribution, the Directors may settle the same as they think expedient and in particular may issue fractional certificates and fix the value for distribution of such specific assets or any part thereof and may determine that cash payments shall be made to any Members upon the footing of the value so fixed in order to adjust the rights of all parties and may vest any such specific assets in trustees as may seem expedient to the Directors.*

*Scrip Dividend*

*141) (1) Whenever the Directors or the Company in General Meeting have resolved or proposed that a dividend (including an interim, final, special or other dividend) be, paid or declared on the ordinary share capital of the Company, the Directors may further resolve that Members entitled to such dividend be entitled to elect to receive an allotment of ordinary shares credited as fully paid in lieu of cash in respect of the whole or such part of the dividend as the Directors may think fit. In such case, the following provisions shall apply:*

*(i) the basis of any such allotment shall be determined by the Directors;*

*(ii) the Directors shall determine the manner in which Members shall be entitled to elect to receive an allotment of ordinary shares credited as fully paid in lieu of cash in respect of the whole or such part of any dividend in respect of which the Directors shall have passed such a resolution as aforesaid, and the Directors may make such arrangements as to the giving of notice to Members, providing for forms of election for completion by Members (whether in respect of a particular dividend or dividends or generally), determining the procedure for making such election) or revoking the same and the place at which and the latest date and time by which any forms of election or other documents by which elections are made or revoked must be lodged, and otherwise make all such arrangements and do all such things, as the Directors consider necessary or expedient in connection with the provisions of this Regulation;*

*(iii) the right of election may be exercised in respect of the whole of that portion of the dividend in respect of which the right of election has been accorded provided that the Directors may determine, either generally or in any specific case, that such right shall be exercisable in respect of the whole or any part of that portion;*

*(iv) the dividend (or that part of the dividend in respect of which a right of election has been accorded) shall not be payable in cash on ordinary shares in respect whereof the share election has been duly exercised (the "elected ordinary shares") and in lieu and in satisfaction thereof ordinary shares shall be allotted and credited as fully paid to the holders of the elected ordinary shares on the basis of allotment determined as aforesaid and for such purpose and notwithstanding the provisions of Regulation 145, the Directors may (a) capitalise and apply the amount standing to the credit of any of the Company's reserve accounts or any sum standing to the credit of the profit and loss account or otherwise for distribution as the Directors may determine, such sum as may be required to pay up in full the appropriate number of ordinary shares for allotment and distribution to and among the holders of the elected ordinary shares on such basis or (b) apply the sum which would otherwise have been payable in cash to the holders of the elected ordinary shares towards payment of the appropriate number of ordinary shares for allotment and distribution to and among the holders of the elected ordinary shares on such basis.*

*(2) (i) The ordinary shares allotted pursuant to the provisions of Regulation 141(1) shall rank pari passu in all respects with the ordinary shares then in issue save only as regards participation in the dividend which is the subject of the election referred to above (including the right to make the election referred to*

*above) or any other distributions, bonuses or rights paid, made, declared or announced prior to or contemporaneous with the payment or declaration of the dividend which is the subject of the election referred to above, unless the Directors shall otherwise specify.*

*(ii) The Directors may do all acts and things considered necessary or expedient to give effect to any capitalisation pursuant to the provisions of Regulation 141(1), with full power to make such provisions as they think fit in the case of shares becoming distributable in fractions (including, notwithstanding any provision to the contrary in this Constitution, provisions whereby, in whole or in part, fractional entitlements are aggregated and sold and the net proceeds distributed to those entitled, or are disregarded or rounded up or down, or whereby the benefit of fractional entitlements accrues to the Company rather than to the Members concerned).*

*(3) The Directors may, on any occasion when they resolve as provided in Regulation 141(1), determine that rights of election under that paragraph shall not be made available to the persons who are registered as holders of ordinary shares in the Register of Members or (as the case may be) in the Depository Register, or in respect of ordinary shares the transfer of which is registered, after such date as the Directors may fix subject to such exceptions as the Directors think fit, and in such event the provisions of this Regulation shall be read and construed subject to such determination.*

*(4) The Directors may, on any occasion when they resolve as provided in Regulation 141(1), further determine that no allotment of shares or rights of election for shares under that paragraph shall be made available or made to Members whose registered addresses entered in the Register of Members or (as the case may be) the Depository Register is outside Singapore or to such other Members or class of Members as the Directors may in their sole discretion decide and in such event the only entitlement of the Members aforesaid shall be to receive in cash the relevant dividend resolved or proposed to be paid or declared.*

*(5) Notwithstanding the foregoing provisions of this Regulation, if at any time after the Directors' resolution to apply the provisions of Regulation 141(1) in relation to any dividend but prior to the allotment of ordinary shares pursuant thereto, the Directors shall consider that by reason of any event or circumstance (whether arising before or after such resolution) or by reason of any matter whatsoever it is no longer expedient or appropriate to implement that proposal, the Directors may at their absolute discretion and without assigning any reason therefor, cancel the proposed application of Regulation 141(1).*

142) *Any dividend or other moneys payable in cash on or in respect of a share may be paid by cheque, warrant sent through the post to the registered address of the Member or person entitled thereto or, if several persons are registered as joint holders of the share or are entitled thereto in consequence of the death or bankruptcy of the holder, to that one whose name shall stand first on the Register or the Depository Register, and every cheque or warrant shall be made payable to the order of the person to whom it is sent or to any person and address as such Member(s) or person(s) may direct in writing Provided that where the Member is a Depositor, the payment by the Company to the Depository of any dividend payable to a Depositor shall to the extent of the payment discharge the Company from any further liability in respect of the payment. Every such cheque and warrant shall be made payable to the order of the person to whom it is sent or to such person as the holder or joint holders or person or persons entitled to the share in consequence of the death or bankruptcy of the holder may direct and payment of the cheque if purporting to be endorsed or the receipt of any such person shall be a good discharge to the Company. Every such cheque and warrant shall be sent at the risk of the person entitled to the money represented thereby.* — *Dividends payable by cheque*

143) *A transfer of shares shall not pass the right to any dividend declared on such shares before the registration of the transfer or the entry of the shares against the Depositor's name in the Depository Register, as the case may be.* — *Effect of transfer*

144) *The Directors may from time to time set aside out of the profits of the Company and carry to reserve such sums as they think proper which, at the discretion of the Directors, shall be applicable for meeting contingencies or for the gradual liquidation of any debt or liability of the Company or for repairing or maintaining the works, plant and machinery of the Company or for special dividends or bonuses or for equalising dividends or for any other purpose to which the profits of the Company may properly be applied and pending such application may either be employed in the business of the Company or be invested. The Directors may divide the reserve into such special funds as they think fit and may consolidate into one fund, any special funds or any parts of any special funds into which the reserve may have been divided. The Directors may also, without placing the same to reserve, carry forward any profits which they may think it not prudent to divide.* — *Power to carry profit to reserve*

145) (1) *The Directors may, with the sanction of an Ordinary Resolution of the Company (including, any Ordinary Resolution passed pursuant to Regulation 55(2)):* — *Power to capitalise*

(i) *issue bonus shares for which no consideration is payable to the Company to the persons registered as holders of shares in the Register of Members or (as the case may be) the Depository Register at the close of business on:*

(a) *the date of the Ordinary Resolution (or such other date as may be specified therein or determined as therein provided); or* *(b) (in the case of an Ordinary Resolution passed pursuant to Regulation 55(2)) such other date as may be determined by the Directors,*

*in proportion to their then holdings of shares; and*

*(ii) capitalise any sum standing to the credit of any of the Company's reserve accounts or other undistributable reserve or any sum standing to the credit of profit and loss account by appropriating such sum to the persons registered as holders of shares in the Register of Members or (as the case may be) in the Depository Register at the close of business on:*

*(a) the date of the Ordinary Resolution (or such other date as may be specified therein or determined as therein provided); or*

*(b) (in the case of an Ordinary Resolution passed pursuant to Regulation 55(2) such other date as may be determined by the Directors,*

*in proportion to their then holdings of shares and applying such sum on their behalf in paying up in full unissued shares (or, subject to any special rights previously conferred on any shares or class of shares for the time being issued, unissued shares of any other class not being redeemable shares) for allotment and distribution credited as fully paid up to and amongst them as bonus shares in the proportion aforesaid.*

*(2) In addition and without prejudice to the powers provided for by Regulations 141(1) and 142, the Directors shall have power to issue shares for which no consideration is payable and to capitalise any undivided profits or other moneys of the Company not required for the payment or provision of any dividend on any shares entitled to cumulative or non-cumulative preferential dividends (including profits or other moneys carried and standing to any reserve or reserves) and to apply such profits or other moneys in paying up in full, in each case on terms that such shares shall, upon issue, be held by or for the benefit of participants of any share incentive or option scheme or plan implemented by the Company and approved by shareholders in general meeting and on such terms as the Directors shall think fit.*

*146) Whenever such a resolution as aforesaid shall have been resolved the Directors shall make all appropriations and applications of the sum resolved to be capitalised thereby, all allotments and issues of fully paid shares or debentures (if any), and generally shall do all acts and things required to give effect thereto and also to authorise any person to enter on behalf of all the Members entitled thereto into an agreement with the Company providing for the allotment to them respectively, credited as fully paid up, of any further shares or debentures to which they may be entitled*

*Directors to do all acts and things to give effect* *upon such capitalisation or (as the case may require) for the payment up by the Company on their behalf, by the application thereto of their respective proportions of the sum resolved to be capitalised, of the amounts or any part of the amounts remaining unpaid on their existing shares and any agreement made under such authority shall be effective and binding on all such Members.*"

**(D) RIGHTS IN RESPECT OF WINDING UP**

*Distribution of assets in specie*

"*168) If the Company is wound up (whether the liquidation is voluntary, under supervision or by the Court) the Liquidator may, with the authority of a Special Resolution, divide among the Members in specie or kind the whole or any part of the assets of the Company and whether or not the assets shall consist of property of one kind or shall consist of properties of different kinds and may for such purpose set such value as he deems fair upon anyone or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the Members or different classes of Members. The Liquidator may, with the like authority, vest the whole or any part of the assets in trustees upon such trusts for the benefit of Members as the Liquidator with the like authority thinks fit, and the liquidation of the Company may be closed and the Company dissolved, but no Member shall be compelled to accept any shares or other securities in respect of which there is a liability.*"

*This page has been intentionally left blank.*

The audited consolidated financial statements of the Group for FY2018 which are set out below have been reproduced from the Company's annual report for FY2018, and were not specifically prepared for inclusion in this Circular.

All capitalised terms used in Note 2 to the audited consolidated financial statements of the Group for FY2018 set out below shall have the same meanings given to them in the annual report of the Company for FY2018.

A copy of the annual report of the Company for FY2018 is available for inspection at the registered address of the Company at 30 Tai Seng Street, #09-01 BreadTalk IHQ, Singapore 534013, during normal business hours until the Closing Date.

# DIRECTORS' STATEMENT

The directors are pleased to present their report to the members together with the audited consolidated financial statements of BreadTalk Group Limited (the "Company") and its subsidiaries (collectively, the "Group") and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2018.

## OPINION OF THE DIRECTORS

In the opinion of the directors,

(a) the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018 and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date; and

(b) at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

## DIRECTORS

The directors of the Company in office at the date of this report are:

Dr George Quek Meng Tong (Chairman)
Katherine Lee Lih Leng (Deputy Chairman)
Ong Kian Min
Chan Soo Sen
Dr Tan Khee Giap
Paul Charles Kenny

## ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

Except as disclosed in this report, neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose object is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

## DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The following directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings, required to be kept under section 164 of the Singapore Companies Act, Chapter 50, an interest in shares of the Company as stated below:

| | Direct interest | | | Deemed interest | | |
|---|---|---|---|---|---|---|
| **Name of director** | **As at 1 January 2018 (Restated)** | **As at 31 December 2018** | **As at 21 January 2019** | **As at 1 January 2018 (Restated)** | **As at 31 December 2018** | **As at 21 January 2019** |
| **The Company** | | | | | | |
| *(Ordinary shares)* | | | | | | |
| Dr George Quek Meng Tong | 191,375,320 | 191,375,320 | 191,375,320 | – | – | – |
| Katherine Lee Lih Leng | 104,830,040 | 104,830,040 | 104,830,040 | – | – | – |
| Ong Kian Min | 240,000 | 240,000 | 240,000 | – | – | – |

The number of shares have taken into account the effect of the share split during the year.

# DIRECTORS' STATEMENT

### DIRECTORS' INTERESTS IN SHARES AND DEBENTURES (CONT'D)

By virtue of Section 7 of the Companies Act, Chapter 50, Dr George Quek Meng Tong and Katherine Lee Lih Leng are deemed to be interested in the shares held by the Company in its subsidiaries.

Except as disclosed in this report, no director who held office at the end of the financial year had interests in shares, share options, warrants or debentures of the Company, or of related corporations, either at the beginning of the financial year, or at the end of the financial year.

### SHARE PLAN

The Company has a Restricted Share Grant Plan which are administered by the Remuneration Committee comprising three Directors namely Messrs Chan Soo Sen (Chairman), Ong Kian Min (Member) and Dr Tan Khee Giap (Member). Details of the Restricted Share Grant Plan is as follows:

***The BreadTalk Restricted Share Grant Plan***

The BreadTalk RSG Plan 2018 ("RSG Plan") was approved at the Extraordinary General Meeting on 20 April 2018. The RSG Plan has replaced the 2008 RSG Plan which expired on 28 April 2018. The key terms of the RSG Plan is consistent with the 2008 RSG Plan.

The RSG Plan is centred on the accomplishment of specific pre-determined performance objectives and service conditions, which is the prerequisite for the contingent award of fully paid Shares ("Award"). The reward structure allows the Company to target specific performance objectives and incentivise the Participants to put in their best efforts to achieve these targets.

***Eligibility***

The following persons shall be eligible to participate in the RSG Plan subject to the absolute discretion of the Remuneration Committee:

*(i)* *Employees*

Employees who are confirmed in their employment with the Company or any subsidiary, or employees of associated companies who hold such rank as may be designated by the Committee from time to time and who, in the opinion of the Committee, have contributed or will contribute to the success of the Group; and

*(ii)* *Directors*

Executive and non-executive directors of the Company and its subsidiaries, provided always that any of the aforesaid persons:

– have attained the age of twenty-one (21) years on or before the Award Date; and
– not undischarged bankrupts.

Controlling Shareholders and their Associates within the above categories are eligible to participate in the RSG Plan. Participation in the RSG Plan by Controlling Shareholders or their Associates must be approved by the independent shareholders. A separate resolution shall be passed for each such Participant and to approve the number of Shares to be awarded to the Participant and the terms of such Award.

There shall be no restriction on the eligibility of any Participant to participate in any other share option or share incentive schemes implemented or to be implemented by the Company or another company within the Group.

# DIRECTORS' STATEMENT

## SHARE PLAN (CONT'D)

***The BreadTalk Restricted Share Grant Plan (cont'd)***

***Size of RSG Plan***

The aggregate number of Shares available to eligible Controlling Shareholders and their Associates under the RSG Plan shall not exceed twenty five per cent (25%) of the Shares available under the RSG Plan. In addition, the number of Shares available to each Controlling Shareholder or his Associate shall not exceed ten per cent (10%) of the Shares available under the RSG Plan.

The aggregate number of Shares to be awarded pursuant to the RSG Plan when added to the number of Shares issued and issuable in respect of such other Shares issued and/or issuable under such other share-based incentive schemes of the Company, shall not exceed fifteen per cent (15%) of the total issued share capital excluding treasury shares of the Company on the day preceding the relevant Award Date.

***Grant of RSG Plan***

The grant of Awards under the RSG Plan may be made from time to time during the year when the RSG Plan is in force.

While Awards may be granted at any time in the year, it is anticipated that Awards under the RSG Plan would be made once a year, after the Company's annual general meeting. It will be administered by the Remuneration Committee.

***Share Awards and Vesting***

The final number of restricted shares awarded will depend on the achievement of pre-determined targets over a one year period. On meeting the performance conditions for the performance period, one-third of the restricted shares will vest. The balance will vest equally over the subsequent two years with fulfilment of service requirements.

The details of the restricted shares awarded under the 2008 RSG Plan since its commencement up to 31 December 2018 are as follows:

| Name of Participant | Conditional restricted shares granted during the year | Aggregate conditional restricted shares awarded since commencement of the Plan (a) | Aggregate conditional restricted shares lapsed since commencement of the Plan (b) | Aggregate conditional restricted shares vested and released during the year | Aggregate conditional restricted shares vested and released since commencement of the Plan (c) | Aggregate conditional restricted shares outstanding at end of the year (a)–(b)–(c) |
|---|---|---|---|---|---|---|
| **Directors of the Company** | | | | | | |
| Dr George Quek Meng Tong [(1)] | – | 358,400 | – | – | 358,400 | – |
| Katherine Lee Lih Leng [(1)] | – | 308,000 | – | – | 308,000 | – |
| **Associate of a Controlling Shareholder** | | | | | | |
| Frankie Quek Swee Heng [(2)] | – | 281,940 | – | 13,410 | 271,380 | 10,560 |

# DIRECTORS' STATEMENT

**SHARE PLAN (CONT'D)**

***The BreadTalk Restricted Share Grant Plan (cont'd)***

***Share Awards and Vesting (cont'd)***

| Name of Participant | Conditional restricted shares granted during the year | Aggregate conditional restricted shares awarded since commencement of the Plan (a) | Aggregate conditional restricted shares lapsed since commencement of the Plan (b) | Aggregate conditional restricted shares vested and released during the year | Aggregate conditional restricted shares vested and released since commencement of the Plan (c) | Aggregate conditional restricted shares outstanding at end of the year (a)–(b)–(c) |
|---|---|---|---|---|---|---|
| **Participants who received 5% or more of the total grants available** | | | | | | |
| Oh Eng Lock* | – | 3,084,860 | – | – | 3,084,860 | – |
| Tan Aik Peng | – | 56,000 | – | 19,040 | 19,040 | 36,960 |
| Cheng William | – | 835,244 | – | 80,702 | 774,524 | 60,720 |
| Chan Ying Jian | – | 74,000 | – | 25,160 | 25,160 | 48,840 |
| Chu Heng Hwee# | – | 824,000 | 130,020 | 227,160 | 447,140 | 246,840 |
| Jenson Ong Chin Hock | – | 175,200 | – | 14,280 | 147,480 | 27,720 |
| Other participants | – | 2,989,160 | 340,440 | 26,780 | 2,630,240 | 18,480 |
| | – | 8,986,804 | 470,460 | 406,532 | 8,066,224 | 450,120 |

The number of shares have taken into account the effect of the shares split during the year.

* This includes a total of 1,563,332 and 977,528 shares that were released via the issuance of treasury shares in relation to a sign-on bonus and award of service equity granted to Mr Oh Eng Lock.

# This includes a total of 100,000 shares that were released via the issuance of treasury shares in relation to a sign-on bonus granted to Mr Chu Heng Hwee.

# DIRECTORS' STATEMENT

**SHARE PLAN (CONT'D)**

***The BreadTalk Restricted Share Grant Plan (cont'd)***

***Share Awards and Vesting (cont'd)***

The details of the restricted shares awarded under the BreadTalk RSG Plan 2018 since its commencement up to 31 December 2018 are as follows:

| Name of Participant | Conditional restricted shares granted during the year | Aggregate conditional restricted shares awarded since commence-ment of the Plan (a) | Aggregate conditional restricted shares lapsed since commence-ment of the Plan (b) | Aggregate conditional restricted shares vested and released during the year | Aggregate conditional restricted shares vested and released since commence-ment of the Plan (c) | Aggregate conditional restricted shares outstanding at end of the year (a)–(b)–(c) |
|---|---|---|---|---|---|---|
| **Associate of a Controlling Shareholder** | | | | | | |
| Frankie Quek Swee Heng [(1)] | 6,990 | 6,990 | – | – | – | 6,990 |
| **Participants who received 5% or more of the total grants available** | | | | | | |
| Tan Aik Peng | 7,089 | 7,089 | – | – | – | 7,089 |
| Cheng William | 73,980 | 73,980 | – | – | – | 73,980 |
| Chan Ying Jian | 43,650 | 43,650 | – | – | – | 43,650 |
| Chu Heng Hwee | 206,890 | 206,890 | – | – | – | 206,890 |
| Jenson Ong Chin Hock | 73,480 | 73,480 | – | – | – | 73,480 |
| Other participants | 45,280 | 45,280 | – | – | – | 45,280 |
| | 457,359 | 457,359 | – | – | – | 457,359 |

[(1)] Associate of Dr George Quek Meng Tong, a controlling shareholder of the Company

With the Remuneration Committee's approval on the achievement of the performance targets for the performance period from FY2015 and FY2017, a total of 406,532 restricted shares were released via the issuance of treasury shares (FY2017: 242,212) under the RSG 2008 Plan. The number of shares have taken into account the effect of the shares split during the year.

# DIRECTORS' STATEMENT

### AUDIT COMMITTEE

The audit committee (AC) carried out its functions in accordance with section 201B (5) of the Singapore Companies Act, Chapter 50, including the following:

- Reviewed the audit plans of the internal and external auditors of the Group and the Company, and reviewed the internal auditor's evaluation of the adequacy of the Company's system of internal accounting controls and the assistance given by the Group and the Company's management to the external and internal auditors
- Reviewed the quarterly and annual financial statements and the auditor's report on the annual financial statements of the Group and the Company before their submission to the board of directors
- Reviewed effectiveness of the Group and the Company's material internal controls, including financial, operational and compliance controls and risk management via reviews carried out by the internal auditor
- Met with the external auditor, other committees, and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the AC
- Reviewed legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programmes and any reports received from regulators
- Reviewed the cost effectiveness and the independence and objectivity of the external auditor
- Reviewed the nature and extent of non-audit services provided by the external auditor
- Recommended to the board of directors the external auditor to be nominated, approved the compensation of the external auditor, and reviewed the scope and results of the audit
- Reported actions and minutes of the AC to the board of directors with such recommendations as the AC considered appropriate
- Reviewed interested person transactions in accordance with the requirements of the Singapore Exchange Securities Trading Limited's Listing Manual

The AC, having reviewed all non-audit services provided by the external auditor to the Group, is satisfied that the nature and extent of such services would not affect the independence of the external auditor. The AC has also conducted a review of interested person transactions.

The AC convened four meetings during the year with full attendance from all members. The AC has also met with internal and external auditors, without the presence of the Company's management, at least once a year.

Further details regarding the AC are disclosed in the Report on Corporate Governance.

# DIRECTORS' STATEMENT

## AUDITOR

Ernst & Young LLP have expressed their willingness to accept re-appointment as auditor.

On behalf of the board of directors:

Dr George Quek Meng Tong
Director

Katherine Lee Lih Leng
Director

Singapore
15 March 2019

# INDEPENDENT AUDITOR'S REPORT

**For the year ended 31 December 2018**
**To the members of BreadTalk Group Limited**

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Opinion

We have audited the financial statements of BreadTalk Group Limited (the "Company") and its subsidiaries (the "Group"), which comprise the balance sheets of the Group and the Company as at 31 December 2018, the statements of changes in equity of the Group and the Company and the consolidated income statement, consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group, the balance sheet and the statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Singapore Financial Reporting Standards (International) (SFRS(I)) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2018 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the year ended on that date.

### Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing (SSAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled our responsibilities described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

**(1) Impairment assessment of goodwill**

As at 31 December 2018, goodwill is carried at $4,837,000 which represents 1.4% of the total non-current assets and 3% of total equity. We considered management's annual goodwill impairment assessment to be a key audit matter because the process is complex and involves significant management judgement about future results of the Group's various businesses. As discussed in Note 12, the key assumptions used in the cash flow projections are budgeted gross margins, growth rates, pre-tax discount rates and cost of disposal. These assumptions could be affected by expected future market and economic conditions such as economic growth, expected inflation rates, demographic developments, revenue and margin development.

As disclosed in Note 12, the Group allocated goodwill to two cash-generating units ("CGU") – $3,569,000 to food court operations in Shanghai and $1,268,000 to food court operations in Singapore. Based on annual impairment testing, management assessed that no impairment was necessary for the current financial year.

# INDEPENDENT AUDITOR'S REPORT

For the year ended 31 December 2018
To the members of BreadTalk Group Limited

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

### Key Audit Matters (cont'd)

***(1) Impairment assessment of goodwill (cont'd)***

Our audit procedures included, among others, assessing management's identification of the cash-generating-units and their carrying amounts. We tested the reasonableness of the assumptions used in the cash flow projections approved by the board of directors. We compared assumptions used by management in their cash flow projections to historic performance of the Group, and considered the viability of future plans, local economic development and industry outlook. Given the complexity of the assessment, we engaged our internal valuation specialists to assist us in evaluating the reasonableness of certain key assumptions such as pre-tax discount rates and growth rates. We evaluated management's analysis on the sensitivity of the goodwill amount to reasonable changes in the key assumptions.

We also assessed the adequacy of the note disclosures concerning those key assumptions to which the outcome of the impairment test is most sensitive. The note disclosures on goodwill, key assumptions and sensitivities are included in Note 12 to the financial statements.

***(2) Valuation of investment securities***

The Group's investment securities include unquoted junior bonds and unquoted equity instruments. As disclosed in Note 13, the Group's unquoted junior bonds and unquoted equity instruments amounted to $24,304,000 and $58,703,000 respectively.

With the adoption of SFRS (I) 9 Financial Instruments in the current financial year, management has assessed the contractual terms of these instruments and its business model and have determined that these investment securities are to be classified and measured at fair value through profit and loss.

The valuations of these investment securities are significant to our audit due to their magnitude, complexity of the valuation models, and the involvement of significant management judgement on the inputs to the valuation models.

*Unquoted junior bonds*

The fair value of unquoted junior bonds is determined using the discounted cash flow method. The key assumptions used in the cash flow projections are interest to be received over the term of the instrument and pre-tax discount rates. These assumptions are dependent on the profitability of the bond issuers which could be affected by expected future market and economic conditions such as occupancy rate, prevailing property tax rates and cost of maintenance of the underlying properties.

Our audit procedures included, among others, assessing management's assumptions used in the cash flow projections which included a comparison of historical interest received against the forecast. We have also engaged our internal valuation specialists to assist us in evaluating the appropriateness of the valuation models and the reasonableness of key assumptions such as pre-tax discount rates. We have assessed the adequacy of the disclosures relating to these investments. The related disclosures are made in Note 2.15, Note 13 and Note 34 to the financial statements.

*Unquoted equity instruments*

The fair values of the unquoted equity instruments in Perennial Tongzhou Development Pte Ltd ("PTD") and Perennial Tongzhou Holdings Pte Ltd ("PTH") are determined using valuation models based on the discounted cash flow method. The key assumptions used in the valuation models include rental rates, expected sale proceeds, net lettable area, pre-tax discount rates, terminal growth rates and adjustments to reflect the Group's minority stake in the investments. Most of these assumptions could be affected by expected future market and economic conditions such as economic growth, expected inflation rates, demographic developments, and the revenue and margin trend in the property leasing and development sector in the market that PTD and PTH operates in.

# INDEPENDENT AUDITOR'S REPORT

For the year ended 31 December 2018
To the members of BreadTalk Group Limited

**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)**

**Key Audit Matters (cont'd)**

***(2) Valuation of investment securities (cont'd)***

*Unquoted equity instruments (cont'd)*

The fair value of the unquoted equity instruments in Perennial 8 Shenton Investors Pte Ltd ("P8SIPL") is determined using an asset based valuation model taking into consideration the fair value of the underlying property held by P8SIPL. The fair value of the underlying property is based on independent external valuation. The valuations are sensitive to key assumptions applied, including those relating to capitalization rate, rental value and vacancy rates.

The fair value of the unquoted equity instruments in Perennial HC Holdings Pte Ltd ("PHCH") is determined using an asset based valuation model taking into consideration the fair value of the underlying asset held by PHCH. Given the recent transaction, management has used the recent transaction price paid to acquire the asset as the proxy to the fair value of the underlying asset held by PHCH.

Management obtained the external appraisers' valuation reports from the investees of the respective investment securities held to support its determination of the fair value of the underlying properties.

As part of our audit procedures, we have considered the objectivity, independence and expertise of the external appraisers. Given the complexity of the valuation methods, we have also engaged our internal real estate and valuation specialists to assist us in evaluating the appropriateness of the valuation models and the reasonableness of certain key assumptions used by the management and the external appraisers in their valuation models. We have assessed the adequacy of the disclosures relating to these investments. The related disclosures are made in Note 2.15, Note 13 and Note 34 to the financial statements.

***(3) Valuation of investment properties***

As at 31 December 2018, the Group has investment properties amounting to $39,748,000 relating to office space in Shanghai, People's Republic of China and shophouse in Singapore as disclosed in Note 11. The Group also has 29% interest in Chijmes, an investment property held through an associate, Perennial (Chijmes) Pte Ltd. The carrying value of this investment property recorded by the associate amounted to $334,000,000 as at 31 December 2018.

The valuation of these investment properties is significant to our audit due to their magnitude and the complexity of the valuation models. The valuation is highly dependent on a range of estimates used by external appraisers. These estimates include, amongst others, rental value, vacancy rates, interest rates and maintenance status.

Management uses external appraisers to support its determination of the fair value of the investment properties annually. In respect of the fair value of Chijmes, management obtained the external appraiser's valuation report from its associate to support its determination of its fair value. As part of our audit procedures, we have considered the objectivity, independence and expertise of the external appraisers. Given the complexity, our internal real estate and valuation specialists assisted us in evaluating the appropriateness of the valuation models, data and assumptions used by the management and the external appraisers in their valuation of the investment properties. We also assessed the adequacy of the disclosures relating to these investments. The related disclosures are made in Note 2.12, Note 11 and Note 34 to the financial statements.

**Other Information**

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

# INDEPENDENT AUDITOR'S REPORT

For the year ended 31 December 2018
To the members of BreadTalk Group Limited

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

### Other Information (cont'd)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I), and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

# INDEPENDENT AUDITOR'S REPORT

For the year ended 31 December 2018
To the members of BreadTalk Group Limited

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

### Auditor's Responsibilities for the Audit of the Financial Statements (cont'd)

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Philip Ling Soon Hwa.

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore
15 March 2019

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

| | Notes | 2018<br>$'000 | 2017<br>(Restated)<br>$'000 |
|---|---|---|---|
| **Revenue** | 3 | **609,796** | 599,579 |
| Cost of sales | | **(266,650)** | (266,465) |
| **Gross profit** | | **343,146** | 333,114 |
| Other operating income | 4 | **31,185** | 33,178 |
| Interest income | 5 | **3,158** | 2,234 |
| Distribution and selling expenses | | **(243,264)** | (241,674) |
| Administrative expenses | | **(92,077)** | (80,850) |
| Interest expense | 5 | **(9,206)** | (5,420) |
| **Profit before tax and share of results of associates and joint ventures** | | **32,942** | 40,582 |
| Share of results of associates | | **(1,165)** | (883) |
| Share of results of joint ventures | | **(634)** | 1,097 |
| **Profit before tax** | 6 | **31,143** | 40,796 |
| Income tax expense | 8 | **(11,425)** | (11,047) |
| **Profit for the year** | | **19,718** | 29,749 |
| **Profit attributable to:** | | | |
| Owners of the Company | | **15,191** | 21,680 |
| Non-controlling interests | | **4,527** | 8,069 |
| | | **19,718** | 29,749 |
| **Other comprehensive income:** | | | |
| **Items that may be reclassified subsequently to profit or loss** | | | |
| Net (loss)/gain on available-for-sale financial assets | | **(15)** | 15 |
| Foreign currency translation | | **196** | (1,656) |
| **Other comprehensive income for the year, net of tax** | | **181** | (1,641) |
| **Total comprehensive income for the year** | | **19,899** | 28,108 |
| **Total comprehensive income attributable to:** | | | |
| Owners of the Company | | **15,372** | 20,039 |
| Non-controlling interests | | **4,527** | 8,069 |
| | | **19,899** | 28,108 |
| **Earnings per share (cents)** | | | |
| Basic | 9 | **2.70** | 3.85 |
| Diluted | 9 | **2.70** | 3.85 |

*The accompanying accounting policies and explanatory notes form an integral part of the financial statements.*

# BALANCE SHEETS

As at 31 December 2018

| | Notes | Group 2018 $'000 | Group 31.12.2017 (Restated) $'000 | Group 1.1.2017 (Restated) $'000 | Company 2018 $'000 | Company 31.12.2017 $'000 | Company 1.1.2017 $'000 |
|---|---|---|---|---|---|---|---|
| **Non-current assets** | | | | | | | |
| Property, plant and equipment | 10 | **173,413** | 169,097 | 180,663 | **77,597** | 73,228 | 71,252 |
| Investment properties | 11 | **39,748** | 39,463 | 22,984 | **–** | – | – |
| Intangible assets | 12 | **6,071** | 6,089 | 6,433 | **–** | – | – |
| Investment securities | 13 | **83,149** | 72,068 | 72,878 | **–** | – | 825 |
| Investment in subsidiaries | 14 | **–** | – | – | **24,509** | 24,418 | 24,296 |
| Investment in associates | 15 | **26,226** | 26,682 | 27,033 | **–** | – | – |
| Investment in joint ventures | 16 | **8,684** | 10,040 | 8,234 | **–** | – | – |
| Other receivables | 18 | **838** | 1,107 | 1,413 | **–** | – | – |
| Due from related corporations | 19 | **–** | – | – | **30,773** | 30,692 | 26,768 |
| Deferred tax assets | 8 | **2,340** | 2,559 | 2,749 | **–** | – | – |
| | | **340,469** | 327,105 | 322,387 | **132,879** | 128,338 | 123,141 |
| **Current assets** | | | | | | | |
| Investment securities | 13 | **4,797** | 12,886 | 17,222 | **–** | – | – |
| Inventories | 17 | **11,304** | 9,721 | 9,806 | **–** | – | – |
| Trade and other receivables | 18 | **57,947** | 51,952 | 52,049 | **5,534** | 2,417 | 4,269 |
| Tax recoverable | | **315** | 280 | – | **–** | – | – |
| Prepayments | | **5,942** | 6,771 | 4,824 | **489** | 92 | 123 |
| Due from related corporations | 19 | **1,124** | 1,128 | 1,094 | **169,231** | 105,149 | 61,885 |
| Amounts due from non-controlling shareholders of subsidiaries (non-trade) | 24 | **1,986** | 525 | 509 | **–** | – | – |
| Cash and cash equivalents | 20 | **184,975** | 141,245 | 120,589 | **15,729** | 1,278 | 8,486 |
| | | **268,390** | 224,508 | 206,093 | **190,983** | 108,936 | 74,763 |
| **Current liabilities** | | | | | | | |
| Trade and other payables | 21 | **97,524** | 90,326 | 86,404 | **3,369** | 2,175 | 1,955 |
| Other liabilities | 22 | **78,657** | 78,710 | 69,612 | **7,609** | 7,588 | 3,971 |
| Provision for reinstatement costs | 23 | **15,768** | 15,846 | 14,417 | **27** | 27 | 27 |
| Due to related corporations | 19 | **3,024** | 3,881 | 3,903 | **65,964** | 57,787 | 30,674 |
| Loan from a non-controlling shareholder of a subsidiary (non-trade) | 24 | **200** | 200 | 200 | **–** | – | – |
| Short-term loans | 25 | **5,944** | 19,237 | 7,215 | **–** | 10,000 | – |
| Notes payables | 27 | **75,000** | – | – | **75,000** | – | – |
| Current portion of long-term loans | 26 | **16,631** | 37,864 | 24,238 | **3,348** | 4,122 | 4,122 |
| Tax payable | | **12,186** | 10,660 | 9,854 | **1,032** | 565 | 551 |
| | | **304,934** | 256,724 | 215,843 | **156,349** | 82,264 | 41,300 |
| **Net current (liabilities)/assets** | | **(36,544)** | (32,216) | (9,750) | **34,634** | 26,672 | 33,463 |
| **Non-current liabilities** | | | | | | | |
| Other liabilities | 22 | **7,641** | 9,392 | 11,385 | **–** | – | – |
| Notes payable | 27 | **99,511** | 75,000 | 75,000 | **99,511** | 75,000 | 75,000 |
| Loan from a non-controlling shareholder of a subsidiary (non-trade) | 24 | **535** | 508 | 549 | **–** | – | – |
| Long-term loans | 26 | **28,849** | 50,533 | 74,857 | **16,020** | 35,676 | 39,798 |
| Deferred tax liabilities | 8 | **4,653** | 4,576 | 4,324 | **3,116** | 2,391 | 1,791 |
| | | **141,189** | 140,009 | 166,115 | **118,647** | 113,067 | 116,589 |
| **Net assets** | | **162,736** | 154,880 | 146,522 | **48,866** | 41,943 | 40,015 |
| **Equity attributable to owners of the Company** | | | | | | | |
| Share capital | 28 | **33,303** | 33,303 | 33,303 | **33,303** | 33,303 | 33,303 |
| Treasury shares | 28 | **(247)** | (460) | (587) | **(247)** | (460) | (587) |
| Accumulated profits | | **96,128** | 93,342 | 88,543 | **15,017** | 8,332 | 6,779 |
| Other reserves | 29 | **4,476** | 3,216 | 5,328 | **793** | 768 | 520 |
| | | **133,660** | 129,401 | 126,587 | **48,866** | 41,943 | 40,015 |
| Non-controlling interests | | **29,076** | 25,479 | 19,935 | **–** | – | – |
| **Total equity** | | **162,736** | 154,880 | 146,522 | **48,866** | 41,943 | 40,015 |

*The accompanying accounting policies and explanatory notes form an integral part of the financial statements.*

# STATEMENTS OF CHANGES IN EQUITY

**For the year ended 31 December 2018**

| | Attributable to owners of the company | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **2018 Group** | **Share capital $'000 (Note 28)** | **Treasury shares $'000 (Note 28)** | **Accumu-lated profits $'000** | **Statutory reserve fund $'000 (Note 29)** | **Translation reserve $'000 (Note 29)** | **Fair value adjust-ment reserve $'000 (Note 29)** | **Share based compen-sation reserve $'000 (Note 29)** | **Premium on acquisition of non-controlling interests $'000 (Note 29)** | **Capital reserve $'000 (Note 29)** | **Total $'000** | **Non-con-trolling interests $'000** | **Total equity $'000** |
| At 1 January 2018 (previously reported) | 33,303 | (460) | 98,933 | 2,954 | 1,639 | 15 | 591 | (2,160) | 177 | 134,992 | 25,479 | 160,471 |
| Impact of adopting SFRS(I) 15 | – | – | (5,591) | – | – | – | – | – | – | (5,591) | – | (5,591) |
| | 33,303 | (460) | 93,342 | 2,954 | 1,639 | 15 | 591 | (2,160) | 177 | 133,851 | 25,479 | 154,880 |
| Impact of adopting SFRS(I) 9 | – | – | (1,141) | – | – | – | – | – | – | (1,141) | 129,401 | (1,141) |
| At 1 January 2018 (Restated) | 33,303 | (460) | 92,201 | 2,954 | 1,639 | 15 | 591 | (2,160) | 177 | 128,260 | 25,479 | 153,739 |
| Profit for the year | – | – | 15,191 | – | – | – | – | – | – | 15,191 | 4,527 | 19,718 |
| Other comprehensive income | | | | | | | | | | | | |
| Net loss on fair value changes of available-for-sale financial assets | – | – | – | – | – | (15) | – | – | – | (15) | – | (15) |
| Foreign currency translation | – | – | – | – | 196 | – | – | – | – | 196 | – | 196 |
| Other comprehensive income for the year, net of tax | – | – | – | – | 196 | (15) | – | – | – | 181 | – | 181 |
| **Total comprehensive income for the year** | – | – | 15,191 | – | 196 | (15) | – | – | – | 15,372 | 4,527 | 19,899 |
| Contributions by and distributions to owners | | | | | | | | | | | | |
| Share-based payments | – | – | – | – | – | – | 238 | – | – | 238 | – | 238 |
| Dividends (Note 37) | – | – | (11,264) | – | – | – | – | – | – | (11,264) | (6,560) | (17,824) |
| Treasury shares transferred on vesting of restricted share grant | – | 213 | – | – | – | – | (213) | – | – | – | – | – |
| **Total contributions by and distributions to owners** | – | 213 | (11,264) | – | – | – | 25 | – | – | (11,026) | (6,560) | (17,586) |
| Changes in ownership interests in a subsidiary | | | | | | | | | | | | |
| Acquisition of non-controlling interests without a change in control | – | – | – | – | – | – | – | 1,054 | – | 1,054 | (1,473) | (419) |
| Issuance of new shares to non-controlling interest | – | – | – | – | – | – | – | – | – | – | 7,103 | 7,103 |
| **Total transactions with owners in their capacity as owners** | – | – | – | – | – | – | – | 1,054 | – | 1,054 | 5,630 | 6,684 |
| At 31 December 2018 | 33,303 | (247) | 96,128 | 2,954 | 1,835 | – | 616 | (1,106) | 177 | 133,660 | 29,076 | 162,736 |

*The accompanying accounting policies and explanatory notes form an integral part of the financial statements.*

# STATEMENTS OF CHANGES IN EQUITY

**For the year ended 31 December 2018**

| | Attributable to owners of the company | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **2017 Group** | **Share capital $'000 (Note 28)** | **Treasury shares $'000 (Note 28)** | **Accumu-lated profits $'000** | **Statutory reserve fund $'000 (Note 29)** | **Translation reserve $'000 (Note 29)** | **Fair value adjust-ment reserve $'000 (Note 29)** | **Share based compen-sation reserve $'000 (Note 29)** | **Premium on acquisition of non-controlling interests $'000 (Note 29)** | **Capital reserve $'000 (Note 29)** | **Total $'000** | **Non-con-trolling interests $'000** | **Total equity $'000** |
| At 1 January 2017 (previously reported) | 33,303 | (587) | 93,966 | 2,954 | 3,295 | – | 343 | (1,441) | 177 | 132,010 | 19,935 | 151,945 |
| Impact of adopting SFRS(I) 15 | – | – | (5,423) | – | – | – | – | – | – | (5,423) | – | (5,423) |
| At 1 January 2017 (Restated) | 33,303 | (587) | 88,543 | 2,954 | 3,295 | – | 343 | (1,441) | 177 | 126,587 | 19,935 | 146,522 |
| Profit for the year | – | – | 21,680 | – | – | – | – | – | – | 21,680 | 8,069 | 29,749 |
| Other comprehensive income | | | | | | | | | | | | |
| Net gain on fair value changes of available-for-sale financial assets | – | – | – | – | – | 15 | – | – | – | 15 | – | 15 |
| Foreign currency translation | – | – | – | – | (1,656) | – | – | – | – | (1,656) | – | (1,656) |
| Other comprehensive income for the year, net of tax | – | – | – | – | (1,656) | 15 | – | – | – | (1,641) | – | (1,641) |
| **Total comprehensive income for the year** | – | – | 21,680 | – | (1,656) | 15 | – | – | – | 20,039 | 8,069 | 28,108 |
| Contributions by and distributions to owners | | | | | | | | | | | | |
| Share-based payments | – | – | – | – | – | – | 375 | – | – | 375 | – | 375 |
| Dividends paid (Note 37) | – | – | (16,881) | – | – | – | – | – | – | (16,881) | (3,444) | (20,325) |
| Treasury shares transferred on vesting of restricted share grant | – | 127 | – | – | – | – | (127) | – | – | – | – | – |
| **Total contributions by and distributions to owners** | – | 127 | (16,881) | – | – | – | 248 | – | – | (16,506) | (3,444) | (19,950) |
| Changes in ownership interests in a subsidiary | | | | | | | | | | | | |
| Acquisition of non-controlling interests without a change in control | – | – | – | – | – | – | – | (719) | – | (719) | 719 | – |
| Issuance of new shares to non-controlling interest | – | – | – | – | – | – | – | – | – | – | 200 | 200 |
| **Total transactions with owners in their capacity as owners** | – | – | – | – | – | – | – | (719) | – | (719) | 919 | 200 |
| At 31 December 2017 | 33,303 | (460) | 93,342 | 2,954 | 1,639 | 15 | 591 | (2,160) | 177 | 129,401 | 25,479 | 154,880 |

*The accompanying accounting policies and explanatory notes form an integral part of the financial statements.*

# STATEMENTS OF CHANGES IN EQUITY

For the year ended 31 December 2018

| | Share capital $'000 (Note 28) | Treasury shares $'000 (Note 28) | Accumulated profits $'000 | Share based compensation reserve $'000 (Note 29) | Capital reserve $'000 (Note 29) | Total equity $'000 |
|---|---|---|---|---|---|---|
| **2018** | | | | | | |
| **Company** | | | | | | |
| 1 January 2018 | 33,303 | (460) | 8,332 | 591 | 177 | 41,943 |
| Profit for the year | – | – | 17,949 | – | – | 17,949 |
| **Total comprehensive income for the year** | – | – | 17,949 | – | – | 17,949 |
| Contributions by and distributions to owners | | | | | | |
| Share-based payments | – | – | – | 238 | – | 238 |
| Treasury shares transferred on vesting of restricted share grant | – | 213 | – | (213) | – | – |
| Dividends paid (Note 37) | – | – | (11,264) | – | – | (11,264) |
| **Total transactions with owners in their capacity as owners** | – | 213 | (11,264) | 25 | – | (11,026) |
| At 31 December 2018 | 33,303 | (247) | 15,017 | 616 | 177 | 48,866 |
| **2017** | | | | | | |
| **Company** | | | | | | |
| 1 January 2017 | 33,303 | (587) | 6,779 | 343 | 177 | 40,015 |
| Profit for the year | – | – | 18,434 | – | – | 18,434 |
| **Total comprehensive income for the year** | – | – | 18,434 | – | – | 18,434 |
| Contributions by and distributions to owners | | | | | | |
| Share-based payments | – | – | – | 375 | – | 375 |
| Treasury shares transferred on vesting of restricted share grant | – | 127 | – | (127) | – | – |
| Dividends paid (Note 37) | – | – | (16,881) | – | – | (16,881) |
| **Total transactions with owners in their capacity as owners** | – | 127 | (16,881) | 248 | – | (16,506) |
| At 31 December 2017 | 33,303 | (460) | 8,332 | 591 | 177 | 41,943 |

*The accompanying accounting policies and explanatory notes form an integral part of the financial statements.*

# CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2018

| | Notes | 2018<br>$'000 | 2017<br>(Restated)<br>$'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit before taxation | | **31,143** | 40,796 |
| Adjustments for: | | | |
| Amortisation of intangible assets | 12 | **414** | 437 |
| Depreciation of property, plant and equipment | 10 | **40,768** | 40,045 |
| Loss / (gain) on divestment of investment securities | | **1,683** | (8,714) |
| Write back of provision for reinstatement cost | 23 | **(99)** | (82) |
| Write back loss on plant and equipment | 10 | **(153)** | (438) |
| (Write back) / impairment of trade receivables | 18 | **(178)** | 210 |
| Impairment of other receivables | 18 | **138** | – |
| Fair value gain on investment securities, net | 4 | **(1,918)** | – |
| Impairment of investment in associates | 15 | **–** | 1,800 |
| Net fair value gains on investment property | 11 | **(1,081)** | (118) |
| Net gain on disposal of property, plant and equipment | 4 | **(67)** | (2,331) |
| Write off of trade and other receivables | | **841** | 15 |
| Interest expense | 5 | **9,206** | 5,420 |
| Interest income | 5 | **(3,158)** | (2,234) |
| Property, plant and equipment written off | 10 | **1,536** | 2,569 |
| Write off of intangible assets | 12 | **77** | – |
| Share based payment expenses | | **238** | 375 |
| Share of results of associates | | **1,165** | 883 |
| Share of results of joint ventures | | **634** | (1,097) |
| Write-off of inventories | 17 | **2** | 7 |
| Allowance for inventory obsolescence | 17 | **12** | 5 |
| Dividend income from quoted investment equity | | **–** | (57) |
| Unrealised exchange loss, net | | **864** | 1,179 |
| **Operating cash flows before working capital changes** | | **82,067** | 78,670 |
| (Increase)/decrease in: | | | |
| Inventories | | **(1,597)** | 73 |
| Trade and other receivables | | **(5,357)** | (258) |
| Prepayments | | **829** | (1,947) |
| Amount due from associates (trade) | | **9** | (3) |
| Amount due from joint ventures (trade) | | **(8)** | 411 |
| Increase/(decrease) in: | | | |
| Trade and other payables | | **1,367** | 4,008 |
| Other liabilities | | **(1,665)** | 6,879 |
| Amount due to a joint venture (trade) | | **(440)** | (159) |
| Cash flows generated from operations | | **75,205** | 87,674 |
| Tax paid | | **(9,575)** | (10,124) |
| **Net cash flows from operating activities** | | **65,630** | 77,550 |

*The accompanying accounting policies and explanatory notes form an integral part of the financial statements.*

# CONSOLIDATED CASH FLOW STATEMENT

**For the year ended 31 December 2018**

| | Notes | 2018<br>$'000 | 2017<br>(Restated)<br>$'000 |
|---|---|---|---|
| **Cash flows from investing activities** | | | |
| Interest income received | | **3,158** | 2,155 |
| Purchase of property, plant and equipment | A | **(47,949)** | (30,166) |
| Additions to intangible assets | 12 | **(500)** | (109) |
| Cash paid for reinstatement cost | 23 | **(1,001)** | (927) |
| Proceeds from disposal of property, plant and equipment | | **128** | 3,361 |
| Proceeds from divestment of investment securities | | **19,832** | 27,438 |
| Amount due from joint ventures(non-trade) | | **(47)** | (441) |
| Amount due to joint ventures (non-trade) | | **(37)** | (103) |
| Amount due to an associate (non-trade) | | **(380)** | 240 |
| Amount due from an associate (non-trade) | | **(210)** | – |
| Amount due to non-controlling interests (non-trade) | | **(1,466)** | – |
| Investment in associates | 15 | **(477)** | (2,273) |
| Investment in a joint venture | 16 | **–** | (1,005) |
| Purchase of investment securities | 13 | **(23,439)** | (12,886) |
| Purchase of investment property | 11 | **–** | (16,681) |
| Dividends received from a joint venture | | **825** | 348 |
| Dividends received from an associate | | **60** | – |
| Dividends received from quoted equity | | **–** | 57 |
| **Net cash flows used in investing activities** | | **(51,503)** | (30,992) |
| **Cash flows from financing activities** | | | |
| Interest paid | | **(9,206)** | (5,420) |
| Dividends paid to shareholders of the Company | 37 | **(11,264)** | (16,881) |
| Dividends paid to non-controlling shareholders of a subsidiary | | **–** | (3,444) |
| Capital contribution from non-controlling interests | | **7,103** | – |
| Proceeds from long-term loans | | **879** | 13,500 |
| Repayment of long-term loans | | **(43,800)** | (24,126) |
| Proceeds from short-term loans | | **42,863** | 37,657 |
| Repayment of short-term loans | | **(56,159)** | (25,691) |
| Proceeds from notes payable | | **100,000** | – |
| Loan due to a non-controlling shareholder | | **27** | (41) |
| Acquisition of non-controlling interest | 14 | **(419)** | – |
| **Net cash flows from/(used in) financing activities** | | **30,024** | (24,446) |
| **Net increase in cash and cash equivalents** | | **44,151** | 22,112 |
| Effect of exchange rate changes on cash and cash equivalents | | **(421)** | (1,456) |
| **Cash and cash equivalents at the beginning of the year** | | **141,245** | 120,589 |
| **Cash and cash equivalents at the end of the year** | 20 | **184,975** | 141,245 |

**Note A. Purchase of property, plant and equipment**

During the year, the Group acquired property, plant and equipment with an aggregate cost of $47,687,000 (2017: $32,987,000). The additions were by way of cash payments of $42,914,000 (2017: $25,271,000), increase in provision for reinstatement costs of $1,095,000 (2017: $2,681,000), amount payable to other creditors of $3,456,000 (2017: $4,674,000) and accruals for amounts payable of $222,000 (2017: $361,000).

Cash outflow for the year also include payments in respect of property, plant and equipment acquired in the previous years of $5,035,000 (2017: $4,895,000).

*The accompanying accounting policies and explanatory notes form an integral part of the financial statements.*

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 1. GENERAL

### 1.1 Corporate information

BreadTalk Group Limited (the "Company") is a limited liability company incorporated and domiciled in the Republic of Singapore and is listed on the Singapore Exchange Securities Trading Limited (SGX-ST).

The registered office and principal place of business of the Company is located at BreadTalk IHQ, 30 Tai Seng Street, #09-01 Singapore 534013.

The principal activity of the Company is that of investment holding and provision of management services. The principal activities of the subsidiaries are disclosed in Note 14 to the financial statements.

Related corporations comprise companies within the BreadTalk Group Limited group of companies, and include associates and joint ventures.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Basis of preparation and fundamental accounting assumption

As at 31 December 2018, the Group's current liabilities exceeded their current assets by $36,544,000 (2017: $32,216,000). The ability of the Group to continue as a going concern is dependent on the Group's ability to generate positive cash flows. In the opinion of the directors, the Group is able to continue as a going concern despite its net current liabilities position as the directors are of the view that the Group will be able to continue to generate net cash inflows from its operating activities for a period of 12 months from the date these financial statements were approved and to enable it to meet its financial obligations as and when they fall due. In addition, the Group has sufficient unutilised banking facilities available for future use should the need arise.

The consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards (International) (SFRS(I)).

For all periods up to and including the year ended 31 December 2017, the Group prepared its financial statements in accordance with Financial Reporting Standards in Singapore (FRS). These financial statements for the year ended 31 December 2018 are the first the Group has prepared in accordance with SFRS(I). Refer to Note 2.2 for information on how the Group adopted SFRS(I).

The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in Singapore Dollars (SGD or $) and all values are rounded to the nearest thousand ($'000) except when otherwise indicated.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.2 First-time adoption of Singapore Financial Reporting Standards (International) (SFRS(I))

These financial statements for the year ended 31 December 2018 are the first the Group and the Company have prepared in accordance with SFRS(I). Accordingly, the Group and the Company have prepared financial statements that comply with SFRS(I) applicable as at 31 December 2018, together with the comparative period data for the year ended 31 December 2017, as described in the summary of significant accounting policies. On preparing the financial statements, the Group's and the Company's opening balance sheets were prepared as at 1 January 2017, the Group and the Company's date of transition to SFRS(I).

The principal adjustments made by the Group on adoption of SFRS(I) and the adoption of the new standards that are effective on 1 January 2018 are disclosed below.

**Exemptions applied on adoption of SFRS(I)**

SFRS(I) allows first-time adopters exemptions from the retrospective application of certain requirements under SFRS(I). The Group has applied the following exemptions:

- SFRS(I) 3 *Business Combinations* has not been applied to either acquisitions of subsidiaries that are considered businesses under SFRS(I), or acquisitions of interests in associates and joint ventures that occurred before 1 January 2017. The carrying amounts of assets and liabilities at the date of transition to SFRS(I) is the same as previously reported under FRS.

- SFRS(I) 1-21 *The Effects of Changes in Foreign Exchange Rates* has not been applied retrospectively to fair value adjustments and goodwill from business combinations that occurred before the date of transition to SFRS(I). Such fair value adjustments and goodwill are treated as assets and liabilities of the parent rather than as assets and liabilities of the acquiree. Therefore, those assets and liabilities are already expressed in the functional currency of the parent or are non-monetary foreign currency items and no further translation differences occur.

- The comparative information do not comply with SFRS(I) 9 *Financial Instruments* or SFRS(I) 7 *Financial Instruments: Disclosures* to the extent the disclosures relate to items within the scope of SFRS(I) 9.

**New accounting standards effective on 1 January 2018**

The accounting policies adopted are consistent with those previously applied under FRS except that in the current financial year, the Group has adopted all the SFRS(I) which are effective for annual financial periods beginning on or after 1 January 2018. Except for the impact arising from the exemptions applied as described above and the adoption of SFRS(I) 9 and SFRS(I) 15 described below, the adoption of these standards did not have any material effect on the financial performance or position of the Group and the Company.

**SFRS(I) 9 *Financial Instruments***

On 1 January 2018, the Group adopted SFRS(I) 9 *Financial instruments*, which is effective for annual periods beginning on or after 1 January 2018.

The changes arising from the adoption of SFRS(I) 9 have been applied retrospectively. The Group has elected to apply the exemption in SFRS(I) 1 and has not restated comparative information in the year of initial application. The impact arising from SFRS(I) 9 adoption was included in the opening retained earnings at the date of initial application, 1 January 2018. The comparative information was prepared in accordance with the requirements of FRS 39.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.2 First-time adoption of SFRS(I) (cont'd)

**SFRS(I) 9 *Financial Instruments* (cont'd)**

Classification and Measurement

SFRS(I) 9 requires debt instruments to be measured either at amortised cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVPL). Classification of debt instruments depends on the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). An entity's business model is how an entity manages its financial assets in order to generate cash flows and create value for the entity either from collecting contractual cash flows, selling financial assets or both. If a debt instrument is held to collect contractual cash flows, it is measured at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held both to collect the assets' contractual cash flows and to sell the assets are measured at FVOCI. Financial assets are measured at FVPL if they do not meet the criteria of FVOCI or amortised cost.

The assessment of the business model and whether the financial assets meet the SPPI requirements was made as of 1 January 2018, and then applied retrospectively to those financial assets that were not derecognised before 1 January 2018.

The Group has assessed which business model applies to the financial assets held by the Group at 1 January 2018 and has classified its financial instruments into the appropriate categories in accordance with SFRS(I) 9.

The Group had measured its held-to-maturity investments in junior bonds and debt securities at amortised cost. Upon the adoption of SFRS(I) 9, the Group measures these instruments at FVPL. The impact arising from this change resulted in a decrease in carrying value of $2,540,000 to the instruments in junior bonds and debt securities with a corresponding adjustment to the retained earnings as at 1 January 2018.

SFRS(I) 9 requires all equity instruments to be carried at fair value through profit or loss, unless an entity chooses on initial recognition, to present fair value changes in other comprehensive income.

The Group had measured its available-for-sale unquoted equity securities at cost. Upon the adoption of SFRS(I) 9, the Group measures the unquoted equity securities at FVPL. The impact arising from this change resulted in an increase in carrying value of $1,705,000 to the unquoted equity securities with a corresponding adjustment to the opening retained earnings as at 1 January 2018.

Impairment

SFRS(I) 9 requires the Group to record expected credit losses on all of its financial assets measured at amortised cost. The Group previously recorded impairment based on the incurred loss model when there is objective evidence that a financial asset is impaired.

Upon adoption of SFRS(I) 9, the Group recognised additional impairment on the Group's trade receivables of $28,000, other receivables of $18,000 and amount due from related corporations of $260,000. The additional impairment recognised arising from adoption of SFRS(I) 9 above resulted in a corresponding decrease in retained earnings of $306,000 as at 1 January 2018.

Tax adjustments and other adjustments

There is no tax impact to the Group arising from the adoption of SFRS(I) 9 as fair value gains are capital in nature.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.2 First-time adoption of SFRS(I) (cont'd)

**SFRS(I) 9 *Financial Instruments* (cont'd)**

The Group has assessed which business model applies to the financial assets held by the Group at 1 January 2018 and has classified its financial instruments into the appropriate categories in accordance with SFRS(I) 9. The effects, before tax impact are as follows:

| | Group | | | | |
|---|---|---|---|---|---|
| **Measurement Category** | **FRS 39 carrying amount on 31.12.2017 $'000** | **Re-classifications $'000** | **Re-measurements $'000** | **SFRS(I) 9 carrying amount on 1.1.2018 $'000** | **Retained earnings effect on 1.1.2018 $'000** |
| Reclassified from available-for-sale quoted equity instruments, at FVOCI | – | 200 | – | 200 | – |
| Reclassified from available-for-sale unquoted equity instruments, carried at cost | – | 45,372 | 1,705 | 47,077 | 1,705 |
| Reclassified from held-to-maturity unquoted junior bonds, carried at cost | – | 26,496 | (2,157) | 24,339 | (2,157) |
| Reclassified from held-to-maturity quoted debt securities, carried at cost | – | 12,886 | (383) | 12,503 | (383) |
| FVPL balances, reclassifications and remeasurements at 1 January 2018 | – | 84,954 | (835) | 84,119 | (835) |
| Reclassified to FVPL | – | (200) | – | – | – |
| FVOCI balances, reclassifications and remeasurements at 1 January 2018 | – | (200) | – | – | – |

The initial application of SFRS(I) 9 does not have any reclassification effect to the Company's financial statements.

Impairment

The reconciliation for loss allowances for the Group are as follow:

| | Group | |
|---|---|---|
| | **Trade and other receivables $'000** | **Due from related corporations $'000** |
| Opening loss allowance as at 1 January 2018 | 297 | – |
| Amount restated through opening retained earnings | 46 | 260 |
| Adjusted loss allowance | 343 | 260 |

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.2 First-time adoption of SFRS(I) (cont'd)

**SFRS(I) 15 *Revenue from Contracts with Customers***

The Group adopted SFRS(I) 15 which is effective for annual periods beginning on or after 1 January 2018.

The Group applied SFRS(I) 15 retrospectively and has elected to apply the exemption in SFRS(I) 1 to apply the following practical expedients in accordance with the transition provisions in SFRS(I) 15:

- For completed contracts, the Group has not restated contracts that begin and end within the same year or are completed contracts at 1 January 2017. Had the Group elected not to apply this practical expedient, the amount of revenue recorded for the prior year would have been lower;
- For the comparative year ended 31 December 2017, the Group has not disclosed the amount of the transaction price allocated to the remaining performance obligations and an explanation of when the corresponding revenue is expected to be recognised.

The Group's revenue mainly comprises of revenue from bakery sales and restaurant sales, revenue from the sub-lease of food court and franchise income. The key impact of adopting SFRS(I) 15 is detailed as follows:

*Timing of revenue recognition*

The Group's franchise contracts include upfront franchise fees which represents development fees, training fees and store license fees, as well as recurring franchise fees which represents royalties to be paid based on a percentage of the franchisees' revenue. Under the franchise contracts, the Group grants franchise rights / use of the Group's intellectual property (including providing ongoing support to the franchisee) for each store.

The Group previously recognised upfront franchise fees upon the grant of rights, completion of the phases of the franchise setup, and transfer of know-how to the franchise in accordance with the terms stated in the franchise agreement. Under SFRS(I) 15, the Group recognises revenue over time throughout the license period of each store as the franchisee simultaneously receives and consumes the benefit from the Group's performance of providing access to its license.

As a result, the Group will recognise an adjustment to decrease trade receivables by $5,423,000 and with a corresponding adjustment to retained earnings on 1 January 2017.

The Group's balance sheet as at 31 December 2017 was restated, resulting in the decrease in trade receivables of $5,591,000 and a corresponding adjustment to retained earnings of $5,591,000. The statement of profit or loss for the year ended 31 December 2017 was also restated resulting in a decrease in revenue of $168,000.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.2 First-time adoption of SFRS(I) (cont'd)

The following is the reconciliation of the impact arising from first-time adoption of SFRS(I) including application of the new accounting standards on 1 January 2017 to the balance sheet of the Group.

| | 1.1.2017 (FRS) $'000 | SFRS(I) 15 adjustments $'000 | 1.1.2017 (SFRS(I)) $'000 |
|---|---|---|---|
| **Non-current assets** | 322,387 | – | 322,387 |
| **Current assets** | | | |
| Trade and other receivables | 57,472 | (5,423) | 52,049 |
| Other current assets | 154,044 | – | 154,044 |
| | 211,516 | (5,423) | 206,093 |
| **Total assets** | 533,903 | (5,423) | 528,480 |
| **Current liabilities** | 215,843 | – | 215,843 |
| **Non-current liabilities** | 166,115 | – | 166,115 |
| **Total liabilities** | 381,958 | – | 381,958 |
| **Equity** | | | |
| Share Capital | 33,303 | – | 33,303 |
| Treasury shares | (587) | – | (587) |
| Accumulated profits | 93,966 | (5,423) | 88,543 |
| Other reserves | 5,328 | – | 5,328 |
| | 132,010 | (5,423) | 126,587 |
| Non-controlling interests | 19,935 | – | 19,935 |
| **Total equity** | 151,945 | (5,423) | 146,522 |
| **Total equity and liabilities** | 533,903 | (5,423) | 528,480 |

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.2 First-time adoption of SFRS(I) (cont'd)

The following is the reconciliation of the impact arising from first-time adoption of SFRS(I) including application of the new accounting standards on 31 December 2017 and 1 January 2018 to the balance sheet of the Group.

| | 31.12.2017 (FRS) $'000 | SFRS(I) 15 adjustments $'000 | 31.12.2017 (SFRS(I)) $'000 | SFRS(I) 9 adjustments $'000 | 1.1.2018 (SFRS(I)) $'000 |
|---|---|---|---|---|---|
| **Non-current assets** | | | | | |
| Investment securities | 72,068 | – | 72,068 | (452) | 71,616 |
| Other non-current assets | 255,037 | – | 255,037 | – | 255,037 |
| | 327,105 | – | 327,105 | (452) | 326,653 |
| **Current assets** | | | | | |
| Investment securities | 12,886 | – | 12,886 | (383) | 12,503 |
| Trade and other receivables | 57,543 | (5,591) | 51,952 | (46) | 51,906 |
| Due from related corporations | 1,128 | – | 1,128 | (260) | 868 |
| Other current assets | 158,542 | – | 158,542 | – | 158,542 |
| | 230,099 | (5,591) | 224,508 | (689) | 223,819 |
| **Total assets** | 557,204 | (5,591) | 551,613 | (1,141) | 550,472 |
| **Current liabilities** | 256,724 | – | 256,724 | – | 256,724 |
| **Non-current liabilities** | 140,009 | – | 140,009 | – | 140,009 |
| **Total liabilities** | 396,733 | – | 396,733 | – | 396,733 |
| **Equity** | | | | | |
| Share Capital | 33,303 | – | 33,303 | – | 33,303 |
| Treasury shares | (460) | – | (460) | – | (460) |
| Accumulated profits | 98,933 | (5,591) | 93,342 | (1,141) | 92,201 |
| Other reserves | 3,216 | – | 3,216 | – | 3,216 |
| | 134,992 | (5,591) | 129,401 | (1,141) | 128,260 |
| Non-controlling interests | 25,479 | – | 25,479 | – | 25,479 |
| **Total equity** | 160,471 | (5,591) | 154,880 | (1,141) | 153,739 |
| **Total equity and liabilities** | 557,204 | (5,591) | 551,613 | (1,141) | 550,472 |

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.2 First-time adoption of SFRS(I) (cont'd)

The following is the reconciliation of the impact arising from first-time adoption of SFRS(I) including application of the new accounting standards to the statement of comprehensive income the of Group for the year ended 31 December 2017.

| | 31.12.2017 (FRS) $'000 | SFRS(I) 15 adjustments $'000 | 31.12.2017 (SFRS(I)) $'000 |
|---|---|---|---|
| **Revenue** | 599,747 | (168) | 599,579 |
| Cost of sales | (266,465) | – | (266,465) |
| **Gross profit** | 333,282 | (168) | 333,114 |
| Other items of income | 35,412 | – | 35,412 |
| Other items of expense | (327,944) | – | (327,944) |
| **Profit before tax and share of results of associates and joint ventures** | 40,750 | (168) | 40,582 |
| Share of results of associates | (883) | – | (883) |
| Share of results of joint ventures | 1,097 | – | 1,097 |
| **Profit before tax** | 40,964 | (168) | 40,796 |
| Income tax expense | (11,047) | – | (11,047) |
| **Profit for the year** | 29,917 | (168) | 29,749 |
| **Profit attributable to:** | | | |
| Owners of the Company | 21,848 | (168) | 21,680 |
| Non-controlling interests | 8,069 | – | 8,069 |
| | 29,917 | (168) | 29,749 |
| **Other comprehensive income:** | | | |
| **Items that may be reclassified subsequently to profit or loss** | | | |
| Net gain on available-for-sale financial assets | 15 | – | 15 |
| Foreign currency translation | (1,656) | – | (1,656) |
| **Other comprehensive income for the year, net of tax** | (1,641) | – | (1,641) |
| **Total comprehensive income for the year** | 28,276 | (168) | 28,108 |
| **Total comprehensive income attributable to:** | | | |
| Owners of the Company | 20,207 | (168) | 20,039 |
| Non-controlling interests | 8,069 | – | 8,069 |
| | 28,276 | (168) | 28,108 |
| **Earnings per share (cents)** | | | |
| Basic | 3.88 | (0.03) | 3.85 |
| Diluted | 3.88 | (0.03) | 3.85 |

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.3 Standards issued but not yet effective

The Group has not adopted the following standards applicable to the Group that have been issued but not yet effective:

| Description | Effective for annual periods beginning on or after |
|---|---|
| SFRS(I) 16 Leases | 1 January 2019 |
| SFRS(I) INT 23 Uncertainty over Income Tax Treatments | 1 January 2019 |
| Amendments to SFRS(I) 9 Prepayment Features with Negative Compensation | 1 January 2019 |
| Amendments to SFRS(I) 1-28 Long-term Interests in Associates and Joint Ventures | 1 January 2019 |
| Annual Improvements to SFRS(I)s 2015-2017 Cycle | 1 January 2019 |
| Amendments to SFRS(I) 10 and SFRS(I) 1-28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | Date to be determined |

Except for SFRS(I) 16, the directors expect that the adoption of the other standards above will have no material impact on the financial statements in the year of initial application. The nature of the impending changes in accounting policy on adoption of SFRS(I) 16 are described below.

SFRS(I) 16 Leases

SFRS(I) 16 requires lessees to recognise most leases on balance sheets. The standard includes two recognition exemption for lessees – leases of 'low value' assets and short-term leases. SFRS(I) 16 is effective for annual periods beginning on or after 1 January 2019. At commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

The Group plans to adopt the new standard on the required effective date by applying SFRS(I) 16 retrospectively with the cumulative effect of initial application as an adjustment to the opening balance of retained earnings as at 1 January 2019.

On the adoption of SFRS(I) 16, the Group expects to choose, on a lease-by-lease basis, to measure the right-of-use asset at either:

(i) its carrying amount as if SFRS(I) 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate as of 1 January 2019; or

(ii) an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before 1 January 2019.

In addition, the Group plans to elect the following practical expedients:

- not to reassess whether a contract is, or contains a lease at the date of initial application and to apply SFRS(I) 16 to all contracts that were previously identified as leases

- to apply the exemption not to recognise right-of-use asset and lease liabilities to leases for which the lease term ends within 12 months as of 1 January 2019

- to apply a single discount rate to a portfolio of leases with reasonably similar characteristics

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.3 Standards issued but not yet effective (cont'd)

SFRS(I) 16 Leases (cont'd)

The Group has performed a preliminary impact assessment based on current available information, and the assessment may be subject to the changes arising from on-going analysis until the Group adopts SRFS(I) 16 in 2019.

On the adoption of SFRS(I) 16, the Group expects to recognise right-of-use assets of approximately $343,447,000 and lease liabilities of $369,357,000 for its leases previously classified as operating leases, with a corresponding decrease in the opening retained earnings of $25,910,000 as of 1 January 2019.

### 2.4 Significant accounting estimates and judgements

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

*Key sources of estimation uncertainty*

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Fair value of investments securities classified as FVPL

The Group has investments in unquoted equity instruments amounting to $58,703,000 as at 31 December 2018. Upon adoption of SFRS(I) 9, the unquoted equity instruments are measured at FVPL. The fair values of the instruments are determined using valuation models based on the discounted cash flow method and an asset based valuation method. The key assumptions used in the valuation models include rental rates, expected sale proceeds, net lettable area, pre-tax discount rates, terminal growth rates, vacancy rate, capitalization rate and adjustments to reflect the Group's minority stake in the investments. Most of these assumptions could be affected by expected future market and economic conditions such as economic growth, expected inflation rates, demographic developments, and the revenue and margin trend in the property leasing and development sector in the market.

The Group has investments in junior bonds amounting to $24,304,000. Upon adoption of SFRS(I) 9, the investment in junior bonds are measured at FVPL. The fair value of unquoted junior bonds is determined using the discounted cash flow method. The key assumptions used in the cash flow projections are interest to be received over the term of the instrument and pre-tax discount rates. These assumptions are dependent on the profitability of the bond issuers which could be affected by expected future market and economic conditions such as occupancy rate, prevailing property tax rates and cost of maintenance of the underlying properties.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.4 Significant accounting estimates and judgements (cont'd)

Valuation of investment properties

The Group carries its investment properties at fair value, with changes in fair value being recognised in profit or loss.

For the properties located in Shanghai and Singapore, the Group engaged real estate valuation experts to assess fair value as at 31 December 2018. The fair value of investment properties are determined by the independent real estate valuation expert using a recognised valuation technique. The technique used is the direct comparable approach. The key assumptions used to determine the fair value of the investment properties and sensitivity analysis are provided in Note 34.

The carrying amounts of the investment properties carried at fair value as at 31 December 2018 are $39,748,000 (2017: $39,463,000).

Impairment assessment of goodwill

As disclosed in Note 12 to the financial statements, the recoverable amounts of the cash generating units which goodwill have been allocated to are determined based on fair value less cost of disposal calculations. The fair value less cost of disposal calculations are based on discounted cash flow models, less cost of disposal. The recoverable amounts are most sensitive to the discount rates used in the discounted cash flow models as well as the expected future cash inflows and the growth rates used for extrapolation purposes. The key assumptions applied in the determination of the fair value less cost of disposal including a sensitivity analysis, are disclosed and further explained in Note 12 to the financial statements. The carrying amount of the goodwill as at 31 December 2018 is $4,837,000 (2017: $4,837,000).

### 2.5 Foreign currency

The financial statements are presented in Singapore Dollars, which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

(a) *Transactions and balances*

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss.

(b) *Consolidated financial statements*

For consolidation purpose, the assets and liabilities of foreign operations are translated into SGD at the rate of exchange ruling at the end of reporting period and their profit or loss are translated at the exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.6 Basis of consolidation and business combinations

*(a) Basis of consolidation*

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- de-recognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost;
- de-recognises the carrying amount of any non-controlling interest;
- de-recognises the cumulative translation differences recorded in equity;
- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained;
- recognises any surplus or deficit in profit or loss;
- re-classifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

*(b) Business combinations and goodwill*

Business combinations are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in profit or loss.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any), that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation, is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another SFRS(I).

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the acquisition date.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.6 Basis of consolidation and business combinations (cont'd)

(b) *Business combinations and goodwill (cont'd)*

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the Group's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

The cash-generating units to which goodwill have been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates.

### 2.7 Transactions with non-controlling interests

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributable to owners of the Company.

### 2.8 Subsidiaries

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

In the Company's balance sheet, investments in subsidiaries are accounted for at cost less impairment losses.

### 2.9 Joint arrangements

A joint arrangement is a contractual arrangement whereby two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

A joint arrangement is classified either as joint operation or joint venture, based on the rights and obligations of the parties to the arrangement.

To the extent the joint arrangement provides the Group with rights to the assets and obligations for the liabilities relating to the arrangement, the arrangement is a joint operation. To the extent the joint arrangement provides the Group with rights to the net assets of the arrangement, the arrangement is a joint venture.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.9 Joint arrangements (cont'd)

*(a) Joint operations*

The Group recognises in relation to its interest in a joint operation,

(a) its assets, including its share of any assets held jointly;

(b) its liabilities, including its share of any liabilities incurred jointly;

(c) its revenue from the sale of its share of the output arising from the joint operation;

(d) its share of the revenue from the sale of the output by the joint operation; and

(e) its expenses, including its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the accounting policies applicable to the particular assets, liabilities, revenues and expenses.

*(b) Joint ventures*

The Group recognises its interest in a joint venture as an investment and accounts for the investment using the equity method. The accounting policy for investment in joint venture is set out in Note 2.10.

### 2.10 Joint ventures and associates

An associate is an entity over which the Group has the power to participate in the financial and operating policy decisions of the investee but does not have control or joint control of those policies.

The Group accounts for its investments in associates and joint ventures using the equity method from the date on which it becomes an associate or joint venture.

On acquisition of the investment, any excess of the cost of the investment over the Group's share of the net fair value of the investee's identifiable assets and liabilities represents goodwill and is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the entity's share of the associate or joint venture's profit or loss in the period in which the investment is acquired.

Under the equity method, the investment in associates or joint ventures are carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associates or joint ventures. The profit or loss reflects the share of results of the operations of the associates or joint ventures. Distributions received from joint ventures or associates reduce the carrying amount of the investment. Where there has been a change recognised in other comprehensive income by the associates or joint venture, the Group recognises its share of such changes in other comprehensive income. Unrealised gains and losses resulting from transactions between the Group and associate or joint venture are eliminated to the extent of the interest in the associates or joint ventures.

When the Group's share of losses in an associate or joint venture equals or exceeds its interest in the associate or joint venture, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate or joint venture.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in associate or joint ventures. The Group determines at the end of each reporting period whether there is any objective evidence that the investment in the associate or joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognises the amount in profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.10 Joint ventures and associates (cont'd)

The financial statements of the associates and joint ventures are prepared as the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

### 2.11 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment other than freehold land and buildings are measured at cost less accumulated depreciation and any accumulated impairment losses. The cost includes the cost of replacing part of the property, plant and equipment and borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying property, plant and equipment. The accounting policy for borrowing costs is set out in Note 2.21. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Subsequent to recognition, property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Depreciation of an asset begins when it is available for use and is computed on a straight-line basis over the estimated useful life of the asset as follows:

| | | |
|---|---|---|
| Leasehold property | – | 20 – 52 years |
| Leasehold land | – | 49 years |
| Machinery and equipment | – | 5 – 20 years |
| Electrical works | – | 5 – 6 years |
| Furniture and fittings | – | 5 – 6 years |
| Office equipment | – | 3 – 6 years |
| Renovation | – | 2 – 6 years |
| Motor vehicles | – | 5 – 6 years |

Assets under construction included in plant and equipment are not depreciated as these assets are not yet available for use.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual values, useful life and depreciation method are reviewed at each financial year-end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in profit or loss in the year the asset is derecognised.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.12 Investment properties

Investment properties are properties that are either owned by the Group or leased under a finance lease that are held to earn rentals or for capital appreciation, or both, rather than for use in the production or supply of goods or services, or for administrative purposes, or in the ordinary course of business. Investment properties comprise completed investment properties and properties that are being constructed or developed for future use as investment properties. Properties held under operating leases are classified as investment properties when the definition of an investment property is met.

Investment properties are initially measured at cost, including transaction costs.

Subsequent to initial recognition, investment properties are measured at fair value. Gain or losses arising from changes in fair value of investment properties are included in profit or loss in the year in which they arise.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of retirement or disposal.

### 2.13 Intangible assets

Intangible assets acquired separately are measured initially at cost. Following initial acquisition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually, or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

(a) *Trade mark*

Costs relating to trade mark are capitalised and amortised on a straight-line basis over its estimated finite useful life of 5 to 10 years.

(b) *Franchise rights*

Costs relating to master franchise fees paid are capitalised and amortised on a straight-line basis over the lease/franchise period ranging from 4 to 20 years.

Costs relating to territory reservation fees are capitalised and amortised on a straight-line basis over the useful life of 6 years.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.13 Intangible assets (cont'd)

*(c) Location premium*

Consideration paid to previous tenants to vacate premises in order to secure the lease arrangement are amortised on a straight-line basis over the new lease agreement period of 4 years.

*(d) Brand value*

Brand value was acquired through a business combination. The useful life of the brand is assessed to be finite and estimated to be 15 years because this is the length of time that the management expects the economic benefits of the brand to flow to the Group.

Brand value is amortised on a straight-line basis over its estimated economic useful life.

### 2.14 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when an annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses of continuing operations are recognised in profit or loss.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss.

### 2.15 Financial instruments

*(a) Financial assets*

Initial recognition and measurement

Financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Trade receivables are measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third party, if the trade receivables do not contain a significant financing component at initial recognition.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.15 Financial instruments (cont'd)

*(a) Financial assets (cont'd)*

Subsequent measurement

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the contractual cash flow characteristics of the asset. The three measurement categories for classification of debt instruments are:

(i) Amortised cost

Financial assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the assets are derecognised or impaired, and through amortisation process.

(ii) Fair value through other comprehensive income (FVOCI)

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Financial assets measured at FVOCI are subsequently measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses and interest calculated using the effective interest method are recognised in profit or loss.

The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is de-recognised.

(iii) Fair value through profit or loss

Assets that do not meet the criteria for amortised cost or fair value through other comprehensive income (FVOCI) are measured at fair value through profit or loss. A gain or loss on a debt instruments that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss in the period in which it arises.

Derecognition

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income for debt instruments is recognised in profit or loss.

*(b) Financial liabilities*

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.15 Financial instruments (cont'd)

*(b) Financial liabilities (cont'd)*

Subsequent measurement

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

De-recognition

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. On derecognition, the difference between the carrying amounts and the consideration paid is recognised in profit or loss.

### 2.16 Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is recognised for credit losses expected over the remaining life of the exposure, irrespective of timing of the default (a lifetime ECL).

For trade and other receivables, and amount due from related corporations, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are between 90 day to 365 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

### 2.17 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and at bank and unpledged short-term fixed deposits.

### 2.18 Inventories

Inventories comprise raw materials, consumables, semi-finished goods, finished goods and base inventories.

Inventories are stated at the lower of cost and net realisable value. Costs comprise purchase costs accounted for on a weighted average cost basis. In the case of semi-finished goods, costs also include an appropriate share of production overheads based on normal operating capacity.

Where necessary, allowance is provided for damaged, obsolete and slow moving items to adjust the carrying value of inventories to the lower cost and net realisable value.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.18 Inventories (cont'd)

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

### 2.19 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

### 2.20 Financial guarantee

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, financial guarantees are recognised as income in profit or loss over the period of the guarantee. If it is probable that the liability will be higher than the amount initially recognised less amortisation, the liability is recorded at the higher amount with the difference charged to profit or loss.

### 2.21 Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset.

Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

### 2.22 Leases

*(a) As lessee*

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.22 Leases (cont'd)

(b) *As lessor*

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.24(g). Contingent rents are recognised as revenue in the period in which they are earned.

### 2.23 Employee benefits

(a) *Defined contribution plans*

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. Contributions to national pension schemes are recognised as an expense in the period in which the related services are performed.

<u>Singapore</u>

The Group makes contributions to the Central Provident Fund ("CPF") scheme in Singapore, a defined contribution pension scheme. The Group makes monthly contributions based on stipulated contribution rates.

<u>People's Republic of China ("PRC")</u>

Subsidiaries incorporated and operating in the PRC are required to provide certain staff pension benefits to their employees under existing PRC regulations. Contributions are provided at rates stipulated by PRC regulations and are contributed to a pension fund managed by government agencies, which are responsible for administering these amounts for the subsidiaries' PRC employees.

<u>Hong Kong</u>

Subsidiaries incorporated and operating in Hong Kong pay contributions to publicly or privately administered pension insurance plans on a mandatory basis. The subsidiaries have no further payment obligations once the contributions have been paid. The contributions are not reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) *Employee leave entitlement*

Employee entitlements to annual leave are recognised as a liability when they are accrued to the employees. The estimated liability for leave is recognised for services rendered by employees up to balance sheet date.

(c) *The BreadTalk Restricted Share Grant Plan ("RSG Plan")*

Employees receive remuneration under the RSG Plan in the form of fully-paid shares ("Awards") of the Company as consideration for services rendered. The cost of these equity-settled transactions with employees is measured by reference to the fair value of the Awards at the date on which the Awards are granted. The fair value is estimated based on the market price of the shares on grant date less the present value of expected future dividends during the vesting period. The cumulative expense recognized at each reporting date until the vesting date reflects the Company's best estimate of the number of Awards that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

In the Company's separate financial statements, the fair value of the Awards granted to employees of its subsidiaries is recognised as an increase in the cost of the Company's investment in subsidiaries, with a corresponding increase in equity.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.24 Revenue

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognised when the Group satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

The Group assesses its revenue arrangements to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognised:

*(a)* *Bakery sales, restaurant sales and sales to franchisee*

Revenue from the sale of goods is recognised upon the satisfaction of each performance obligations which is usually the delivery of goods to customers. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

*(b)* *Franchise income*

Upfront franchise fees is recognised over time throughout the license period of each store as the franchisee simultaneously receives and consumes the benefit from the Group's performance of providing access to its license.

Recurring franchisee income is recognised on a period basis as a percentage of the franchise revenue in accordance with terms as stated in the franchise agreement.

*(c)* *Food court revenue*

Fixed rental income from the sub-lease of food courts is recognised as income in profit or loss on a straight-line basis over the lease term. The variable portion of the rental income which is computed based on a percentage of the food court tenants' gross sales is recognised when such sales are earned.

Revenue from the sale of food and beverage is recognised upon delivery and acceptance by customers, net of sale discounts.

*(d)* *Management fee*

Management fee is recognised on an accrual basis.

*(e)* *Interest income*

Interest income is recognised as interest accrues (using the effective interest method) unless collectability is in doubt.

*(f)* *Dividend income*

Dividend income is recognised when the Group's right to receive payment is established.

*(g)* *Rental income*

Rental income arising from operating leases is accounted for on a straight-line basis over the lease terms. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.25 Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised in profit or loss over the period necessary to match them on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is recognised as deferred capital grant on the balance sheet and is amortised to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

### 2.26 Taxes

*(a) Current income tax*

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date, in the countries where the Group operates and generates taxable income.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

*(b) Deferred tax*

Deferred income tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- Where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**2.26 Taxes (cont'd)**

*(b) Deferred tax (cont'd)*

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred income tax is recognised in profit or loss. Deferred income tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

*(c) Sales tax*

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

**2.27 Segment reporting**

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 36, including the factors used to identify the reportable segments and the measurement basis of segment information.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.28 Share capital and share issue expenses

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

### 2.29 Treasury shares

The Group's own equity instruments, which are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount of treasury shares and the consideration received, if reissued, is recognised directly in equity. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them respectively.

### 2.30 Contingencies

A contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

(b) a present obligation that arises from past events but is not recognised because:

  (i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

  (ii) The amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent liabilities and assets are not recognised on the balance sheet of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 3. REVENUE

*(a) Disaggregation of revenue*

| | Bakery | | Food Atrium | | Restaurant | | 4orth | | Others | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **2018** | 2017 | **2018** | 2017 | **2018** | 2017 | **2018** | 2017 | **2018** | 2017 | **2018** | 2017 |
| **Segments** | **$'000** | $'000 | **$'000** | $'000 | **$'000** | $'000 | **$'000** | $'000 | **$'000** | $'000 | **$'000** | $'000 |
| **Primary geographical markets** | | | | | | | | | | | | |
| Singapore | **137,806** | 135,094 | **65,504** | 63,639 | **136,209** | 128,930 | **8,716** | 7,859 | **4,408** | 4,622 | **352,643** | 340,144 |
| PRC | **103,031** | 105,472 | **51,918** | 46,933 | **–** | – | **5,457** | – | **–** | – | **160,406** | 152,405 |
| Hong Kong | **29,429** | 32,279 | **21,551** | 21,629 | **–** | – | **–** | – | **–** | – | **50,980** | 53,908 |
| Others | **11,738** | 24,175 | **17,922** | 17,145 | **16,107** | 11,802 | **–** | – | **–** | – | **45,767** | 53,122 |
| | **282,004** | 297,020 | **156,895** | 149,346 | **152,316** | 140,732 | **14,173** | 7,859 | **4,408** | 4,622 | **609,796** | 599,579 |
| **Main revenue streams** | | | | | | | | | | | | |
| Bakery sales | **248,830** | 260,089 | **–** | – | **–** | – | **–** | – | **–** | – | **248,830** | 260,089 |
| Sales to franchisee | **17,480** | 21,676 | **–** | – | **–** | – | **–** | – | **–** | – | **17,480** | 21,676 |
| Franchise income | **15,694** | 15,255 | **–** | – | **–** | – | **–** | – | **–** | – | **15,694** | 15,255 |
| Restaurant sales | **–** | – | **–** | – | **152,316** | 140,732 | **14,173** | 7,859 | **4,408** | 4,622 | **170,897** | 153,213 |
| Food court revenue | **–** | – | **156,895** | 149,346 | **–** | – | **–** | – | **–** | – | **156,895** | 149,346 |
| | **282,004** | 297,020 | **156,895** | 149,346 | **152,316** | 140,732 | **14,173** | 7,859 | **4,408** | 4,622 | **609,796** | 599,579 |
| **Timing of transfer of goods and services** | | | | | | | | | | | | |
| Over time | **15,694** | 15,255 | **–** | – | **–** | – | **–** | – | **–** | – | **15,694** | 15,255 |
| At a point in time | **266,310** | 281,765 | **156,895** | 149,346 | **152,316** | 140,732 | **14,173** | 7,859 | **4,408** | 4,622 | **594,102** | 584,324 |
| | **282,004** | 297,020 | **156,895** | 149,346 | **152,316** | 140,732 | **14,173** | 7,859 | **4,408** | 4,622 | **609,796** | 599,579 |

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. **REVENUE (CONT'D)**

(b) *Judgement and methods used in estimating revenue*

Recognition of franchise income over time

The Group's franchise contracts include upfront franchise fees which represents development fees, training fees and store license fees, as well as recurring franchise fees which represents royalties to be paid based on a percentage of the franchisees' revenue. Under the franchise contracts, the Group grants franchise rights / use of the Group's intellectual property (including providing ongoing support to the franchisee) for each store.

The Group previously recognised upfront franchise fees upon the grant of rights, completion of the phases of the franchise setup, and transfer of know-how to the franchise in accordance with the terms stated in the franchise agreement. Under SFRS(I) 15, the Group recognises revenue over time throughout the license period of each store as the franchisee simultaneously receives and consumes the benefit from the Group's performance of providing access to its license.

4. **OTHER OPERATING INCOME**

| | Group | |
|---|---|---|
| | **2018** | 2017 |
| | **$'000** | $'000 |
| Management fee income | **19,609** | 13,524 |
| Income from mall operation | **547** | 482 |
| Government grant | **1,156** | 1,713 |
| Special Employment Credit [(1)] | **269** | 453 |
| Wage credit scheme [(2)] | **921** | 739 |
| Income recognised from unredeemed stored value cards[(3)] | **1,146** | 711 |
| Sponsorship income | **490** | 540 |
| Rental income | **2,992** | 2,705 |
| Gain on divestment of investment securities | **–** | 8,714 |
| Gain from fair value adjustment of investment properties (Note 11) | **1,081** | 118 |
| Gain from fair value adjustment of investment securities, net | **1,918** | – |
| Write back of provision for reinstatement cost (Note 23) | **99** | 82 |
| Dividend received from quoted equity instruments | **–** | 57 |
| Gain on disposal of plant and equipment | **67** | 2,331 |
| Miscellaneous income | **890** | 1,009 |
| | **31,185** | 33,178 |

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 4. OTHER OPERATING INCOME (CONT'D)

(1) The Special Employment Credit ("SEC") was introduced as a budget initiative in the financial year 2011 and was further enhanced in financial year 2012 to cover a wider range of employees and enabling more employers to benefit from the Scheme. The enhanced Scheme is for 5 years but it was extended for three years from 1 January 2017 to 31 December 2019. During Budget 2019, the Minister of Finance for Singapore announced a further 1 year extension from 31 December 2019 to 31 December 2020.

Under the extended SEC, for each Singaporean employee who is aged 55 and above and who earns up to $4,000 per month, the Company will receive up to 8% Special Employment Credit based on that employee's salary and employee's age. The Scheme has 2 payouts in March and September.

(2) The Wage Credit Scheme ("WCS") was introduced as a budget initiative in 2013 to help businesses which may face rising wage costs in a tight labour market. The Government will co-fund 40% of wage increases to Singaporean employees earning a gross monthly wage of $4,000 for the financial year 2013 to 2015 and 20% co-funding in the financial years of 2016 and 2017. During Budget 2018, the WCS was further extended to 2020. The co-funding ratio will be 20% for 2018, and subsequently step down to 15% in 2019 and 10% in 2020.

(3) Income recognised from unredeemed stored value cards pertains to stored value cards issued in prior years with long periods of inactivity.

## 5. INTEREST INCOME AND INTEREST EXPENSE

| | Group | |
|---|---|---|
| | **2018** | 2017 |
| | **$'000** | $'000 |
| Interest income from: | | |
| – cash at bank and deposits | **1,202** | 437 |
| – financial assets at fair value through profit and loss (2017: held-to-maturity financial assets) | **1,956** | 1,797 |
| | **3,158** | 2,234 |
| Interest expense on: | | |
| – term loans | **(1,756)** | (1,970) |
| – notes payable | **(7,450)** | (3,450) |
| | **(9,206)** | (5,420) |

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 6. PROFIT BEFORE TAX

This is determined after charging the following:

| | Group | |
|---|---|---|
| | **2018** | 2017 |
| | **$'000** | $'000 |
| Audit fees | | |
| – auditor of the Company | **327** | 311 |
| – affiliates of auditor of the Company | **234** | 214 |
| – other auditors | **189** | 159 |
| | **750** | 684 |
| Non-audit fees to auditor of the Company | | |
| Recurring | | |
| – tax returns compliance services | **38** | 38 |
| – sales certifications | **21** | 18 |
| – sustainability reporting | **58** | 58 |
| – transfer pricing advisory services | **26** | – |
| | **143** | 114 |
| Non-recurring | | |
| – tax advisory services and due diligence | **73** | 31 |
| – Advisory services on SFRS(I) adoption | **66** | – |
| – transfer pricing business case for change | **–** | 20 |
| – Agreed-upon-procedures for Medium Term Note Programme | **–** | 8 |
| – tax returns compliance services | **28** | – |
| | **167** | 59 |
| Non-audit fees to other auditors | **114** | 79 |
| Amortisation of intangible assets (Note 12) | **414** | 437 |
| Impairment/(write back) of loans and receivables | | |
| – trade receivables (Note 18) | **(178)** | 210 |
| – other receivables (Note 18) | **138** | – |
| Write off of trade and other receivables | **841** | 15 |
| Directors' fees | **195** | 180 |
| Employee benefits (Note 7) | **191,778** | 188,841 |
| Operating lease expenses | | |
| – fixed portion | **126,252** | 125,443 |
| – variable portion | **11,697** | 11,174 |
| Depreciation of property, plant and equipment (Note 10) | **40,768** | 40,045 |
| Property, plant and equipment written off (Note 10) | **1,536** | 2,569 |
| (Write back)/impairment loss on property, plant and equipment (Note 10) | **(153)** | (438) |
| Write-off of inventories (Note 17) | **2** | 7 |
| Allowance for inventory obsolescence (Note 17) | **12** | 5 |
| Loss from divestment of investment securities | **1,683** | – |
| Impairment loss on investment in associates (Note 15) | **–** | 1,800 |

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 7. EMPLOYEE BENEFITS

| | Group | |
|---|---|---|
| | **2018** | 2017 |
| | **$'000** | $'000 |
| Salaries and bonuses | **142,633** | 137,408 |
| Central Provident Fund and other pension contributions | **17,668** | 19,479 |
| Sales incentives and commission | **7,418** | 4,733 |
| Other personnel benefits | **24,059** | 27,221 |
| | **191,778** | 188,841 |

### RSG Plan

Under the RSG Plan, directors and employees receive remuneration in the form of fully-paid shares of the Company as consideration for services rendered. Restricted shares are granted conditionally and the final number of restricted shares awarded will depend on the achievement of pre-determined targets over a one year period. On meeting the performance conditions for the performance period, one-third of the restricted shares will vest. The balance will vest equally over the subsequent two years with the fulfilment of service requirements.

The fair value of the restricted shares granted is estimated based on the market price of the shares on grant date less the present value of expected future dividends during the vesting period.

During the year, 457,359 restricted shares were granted (2017: 360,000). There are 450,120 restricted shares outstanding at year end (2017: 378,626 shares).

## 8. INCOME TAX EXPENSE

Major components of income tax expense were:

| | Group | |
|---|---|---|
| | **2018** | 2017 |
| | **$'000** | $'000 |
| Current tax | | |
| – Current year | **10,934** | 9,208 |
| – Under/(over) provision in prior years | **(720)** | 316 |
| Deferred tax | | |
| – Origination and reversal of temporary differences | **448** | 513 |
| – (Over)/under provision in prior years | **(152)** | (71) |
| Withholding tax | **915** | 1,081 |
| Taxation expense | **11,425** | 11,047 |

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 8. INCOME TAX EXPENSE (CONT'D)

A reconciliation between the tax expense and the product of accounting profit multiplied by the applicable tax rate for the year ended 31 December is as follows:

| | Group | |
|---|---|---|
| | **2018** | 2017 |
| | **$'000** | $'000 |
| Profit before tax | **31,143** | 40,796 |
| Tax at the domestic rates applicable to profits in the countries where the Group operates[1] | **4,802** | 6,587 |
| Tax effect of: | | |
| Expenses not deductible for tax purposes | **5,770** | 3,212 |
| Depreciation not deductible for tax purposes | **3,002** | 1,612 |
| Income not subject to taxation | **(954)** | (514) |
| Share of results of associates and joint ventures | **(185)** | 356 |
| Tax savings arising from development and expansion incentive [2] | **–** | (349) |
| Under/(over) provision in prior years | | |
| – Current tax | **(720)** | 316 |
| – Deferred tax | **(152)** | (71) |
| Withholding tax expense | **915** | 1,081 |
| Effect of partial tax exemption and tax relief | **(108)** | (152) |
| Deferred tax assets not recognised | **1,315** | 595 |
| Benefits from previously unrecognised tax losses | **(1,996)** | (1,183) |
| Tax savings from enhanced deductions | **(225)** | (537) |
| Others | **(39)** | 94 |
| Taxation expense | **11,425** | 11,047 |

(1) This is prepared by aggregating separate reconciliations for each national jurisdiction.

(2) In February 2004, the Economic Development Board granted the Development and Expansion Incentive under the International Headquarters "(IHQ-DEI)" Award to a subsidiary. Subject to certain conditions, the subsidiary enjoys a concessionary tax rate of 10% on its qualifying income for a period of 5 years commencing 1 January 2003. The subsidiary was granted extensions of the DEI for 5 years each commencing 1 January 2008 and 1 January 2013.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 8. INCOME TAX EXPENSE (CONT'D)

Deferred income tax as at 31 December relates to the following:

| | Group | | | | |
|---|---|---|---|---|---|
| | Balance sheet | | | Profit or loss | |
| | **2018** | 31.12.2017 | 1.1.2017 | **2018** | 2017 |
| | **$'000** | $'000 | $'000 | **$'000** | $'000 |
| Deferred tax liabilities: | | | | | |
| Provisions | **(985)** | (1,116) | (955) | **131** | (161) |
| Differences in depreciation for tax purposes | **(3,318)** | (3,166) | (3,210) | **(152)** | 44 |
| Other items | **(350)** | (294) | (159) | **(56)** | (135) |
| | **(4,653)** | (4,576) | (4,324) | | |
| Deferred tax assets: | | | | | |
| Provisions | **678** | 639 | 484 | **39** | 155 |
| Differences in depreciation for tax purposes | **544** | 546 | 741 | **(2)** | (195) |
| Unutilised capital allowances | **341** | 447 | 705 | **(106)** | (258) |
| Other items | **777** | 927 | 819 | **(150)** | 108 |
| | **2,340** | 2,559 | 2,749 | | |
| Deferred income tax | | | | **(296)** | (442) |

| | Company | | |
|---|---|---|---|
| | Balance sheet | | |
| | **2018** | 31.12.2017 | 1.1.2017 |
| | **$'000** | $'000 | $'000 |
| **Deferred tax liabilities:** | | | |
| Differences in depreciation for tax purposes | **(3,116)** | (2,391) | (1,791) |
| | **(3,116)** | (2,391) | (1,791) |

*Deferred tax assets*

No deferred tax assets were recognised in loss making entities during 2018 and 2017.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 8. INCOME TAX EXPENSE (CONT'D)

*Unrecognised tax losses, capital allowances and other temporary differences*

As at 31 December 2018, the Group has tax losses of approximately $35,832,000 (31 December 2017: $36,320,000, 1 January 2017: $40,218,000), unutilised capital allowances of approximately $359,000 (31 December 2017: $1,688,000, 1 January 2017: $328,000) and other temporary differences of approximately $5,463,000 (31 December 2017: $5,281,000, 1 January 2017: $4,992,000) that are available for offset against future taxable profits, for which no deferred tax assets are recognised on these amounts due to uncertainty of their utilisation. The comparative unrecognised tax loss figures have been adjusted based on the latest tax submissions and finalisation of certain years of tax assessments.

The utilisation of the tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate. As at 31 December 2018, $35,666,000 (31 December 2017: $34,756,000, 1 January 2017: $38,735,000) of the unrecognised tax losses will expire between 1 and 5 years.

*Unrecognised temporary differences relating to investments in subsidiaries*

At the balance sheet date, no deferred tax liability (31 December 2017: nil, 1 January 2017: nil) has been recognised for taxes that would be payable on the undistributed earnings of certain of the Group's subsidiaries as the Group has determined that undistributed earnings of these subsidiaries will not be distributed in the foreseeable future.

Such temporary differences for which no deferred tax liability has been recognised aggregate to $33,130,000 (31 December 2017: $36,844,000, 1 January 2017: $33,966,000). The deferred tax liability is estimated to be $1,656,000 (31 December 2017: $1,842,000, 1 January 2017: $1,698,000).

*Tax consequences of proposed dividends*

There are no income tax consequences attached to the dividends to the shareholders proposed by the Company but not recognised as a liability in the financial statements (Note 37).

## 9. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the Group's profit for the year attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share are calculated by dividing the Group's profit for the year attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

These profit and share data are presented in the table below:

| | Group | |
|---|---|---|
| | **2018** | 2017 |
| | **$'000** | $'000 |
| Profit for the year attributable to owners of the Company | **15,191** | 21,680 |

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 9. EARNINGS PER SHARE (CONT'D)

| | Group | |
|---|---|---|
| | **2018** | 2017 |
| | **No. of shares** | No. of shares |
| | **'000** | '000 |
| Weighted average number of ordinary shares for basic earnings per share computation * | **563,209** | 562,790 |
| Effects of dilution: | | |
| – Restricted shares granted conditionally under the "BreadTalk Restricted Share Grant Plan" | **315** | 292 |
| Weighted average number of ordinary shares for diluted earnings per share computation * | **563,524** | 563,082 |

* The weighted average number of shares takes into account the weighted average effect of changes in treasury shares transactions during the year and the effect of share split during the year.

## 10. PROPERTY, PLANT AND EQUIPMENT

| | Leasehold property $'000 | Leasehold land $'000 | Machinery and equipment $'000 | Electrical works $'000 | Furniture and fittings $'000 | Office equipment $'000 |
|---|---|---|---|---|---|---|
| **Group** | | | | | | |
| **Cost** | | | | | | |
| As at 1.1.2017 | 55,562 | 21,512 | 54,738 | 60,349 | 60,936 | 13,639 |
| Additions | – | 154 | 4,123 | 4,305 | 9,759 | 1,749 |
| Reclassifications | – | – | – | 3 | 114 | – |
| Write offs | – | – | (9,232) | (9,510) | (7,554) | (1,323) |
| Disposals | (1,111) | – | (527) | (116) | (166) | (7) |
| Translation difference | (74) | (230) | (514) | (834) | (1,480) | (134) |
| As at 31.12.2017 and 1.1.2018 | 54,377 | 21,436 | 48,588 | 54,197 | 61,609 | 13,924 |
| Additions | – | – | 5,544 | 4,096 | 10,963 | 3,531 |
| Reclassifications | – | – | 1,019 | 282 | 86 | 7 |
| Write offs | – | – | (2,173) | (3,220) | (2,897) | (960) |
| Disposals | – | – | (122) | (11) | – | (1) |
| Translation difference | (47) | 46 | (265) | 142 | 322 | (49) |
| As at 31.12.2018 | 54,330 | 21,482 | 52,591 | 55,486 | 70,083 | 16,452 |

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 10. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

| | Leasehold property $'000 | Leasehold land $'000 | Machinery and equipment $'000 | Electrical works $'000 | Furniture and fittings $'000 | Office equipment $'000 |
|---|---|---|---|---|---|---|
| **Group** | | | | | | |
| **Accumulated depreciation and impairment losses** | | | | | | |
| As at 1.1.2017 | 4,961 | 1,489 | 34,116 | 41,672 | 42,346 | 10,525 |
| Charge for the year | 1,061 | 410 | 5,595 | 7,041 | 7,211 | 1,477 |
| Write offs | – | – | (8,665) | (9,028) | (6,890) | (1,275) |
| Disposals | (604) | – | (426) | (66) | (94) | (2) |
| Impairment loss/ (write back) | – | – | (33) | (154) | (131) | – |
| Translation difference | (26) | (31) | (351) | (645) | (1,162) | (116) |
| As at 31.12.2017 and 1.1.2018 | 5,392 | 1,868 | 30,236 | 38,820 | 41,280 | 10,609 |
| Charge for the year | 1,028 | 408 | 5,892 | 6,010 | 6,336 | 1,722 |
| Write offs | | | (1,890) | (3,045) | (2,612) | (965) |
| Disposals | – | – | (74) | (1) | – | (1) |
| Impairment loss/ (write back) | – | – | – | (91) | (90) | – |
| Translation difference | (31) | 8 | (137) | 126 | 321 | (32) |
| As at 31.12.2018 | 6,389 | 2,284 | 34,027 | 41,819 | 45,235 | 11,333 |
| **Net carrying amount** | | | | | | |
| As at 1.1.2017 | 50,601 | 20,023 | 20,622 | 18,677 | 18,590 | 3,114 |
| As at 31.12.2017 | 48,985 | 19,568 | 18,352 | 15,377 | 20,329 | 3,315 |
| As at 31.12.2018 | 47,941 | 19,198 | 18,564 | 13,667 | 24,848 | 5,119 |

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 10. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

| | Renovation[(1)] $'000 | Motor vehicles $'000 | Construction -in-progress $'000 | Total $'000 |
|---|---|---|---|---|
| **Group** | | | | |
| **Cost** | | | | |
| As at 1.1.2017 | 138,347 | 2,477 | 3,842 | 411,402 |
| Additions | 11,144 | 115 | 1,638 | 32,987 |
| Reclassifications | 324 | – | (441) | – |
| Write offs | (17,470) | (56) | – | (45,145) |
| Disposals | (1,130) | (46) | – | (3,103) |
| Translation difference | (1,080) | (43) | (47) | (4,436) |
| As at 31.12.2017 and 1.1.2018 | 130,135 | 2,447 | 4,992 | 391,705 |
| Additions | 14,425 | 338 | 8,790 | 47,687 |
| Reclassifications | 634 | – | (2,028) | – |
| Write offs | (10,872) | (42) | – | (20,164) |
| Disposals | (192) | (53) | – | (379) |
| Translation difference | (1,894) | (22) | (306) | (2,073) |
| As at 31.12.2018 | 132,236 | 2,668 | 11,448 | 416,776 |

| | Renovation[(1)] $'000 | Motor vehicles $'000 | Construction -in-progress $'000 | Total $'000 |
|---|---|---|---|---|
| **Group** | | | | |
| **Accumulated depreciation and impairment losses** | | | | |
| As at 1.1.2017 | 94,060 | 1,570 | – | 230,739 |
| Charge for the year | 16,884 | 366 | – | 40,045 |
| Write offs | (16,667) | (51) | – | (42,576) |
| Disposals | (835) | (46) | – | (2,073) |
| Impairment loss/(write back) | (120) | – | – | (438) |
| Translation difference | (727) | (31) | – | (3,089) |
| As at 31.12.2017 and 1.1.2018 | 92,595 | 1,808 | – | 222,608 |
| Charge for the year | 19,005 | 367 | – | 40,768 |
| Write offs | (10,074) | (42) | – | (18,628) |
| Disposals | (192) | (50) | – | (318) |
| Impairment loss/ (write back) | 28 | – | – | (153) |
| Translation difference | (1,157) | (12) | – | (914) |
| As at 31.12.2018 | 100,205 | 2,071 | – | 243,363 |
| **Net carrying amount** | | | | |
| As at 1.1.2017 | 44,287 | 907 | 3,842 | 180,663 |
| As at 31.12.2017 | 37,540 | 639 | 4,992 | 169,097 |
| As at 31.12.2018 | 32,031 | 597 | 11,448 | 173,413 |

(1) Additions to renovation during the year include provision for reinstatement costs of $1,095,000 (31 December 2017: $2,681,000, 1 January 2017: $2,090,000).

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 10. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

***Assets written off***

Property, plant and equipment written off during the year arose mainly due to the refurbishment/closure of certain bakery outlets and food courts. The amount written off represents the total carrying value of the property, plant and equipment attributable to the bakery outlets and food courts at the date of refurbishment/closure.

***Assets pledged as security***

The Group has the following assets pledged to secure the Group's bank loans (Note 26).

| | Group and Company | | |
|---|---|---|---|
| | **2018** | 31.12.2017 | 1.1.2017 |
| | **$'000** | $'000 | $'000 |
| Leasehold land | **17,070** | 17,404 | 17,584 |
| Leasehold property | **47,005** | 47,925 | 48,845 |
| | **64,075** | 65,329 | 66,429 |

***Impairment of assets***

During the financial year, the Group carried out a review of the recoverable amount of the plant and equipment in the outlets of its bakery, restaurant and food court segments. A net write-back of impairment of $153,000 (2017: $438,000), representing the write-back of these plant and equipment to the recoverable amount was recognised in "Administrative expenses" line item of profit or loss for the financial year ended 31 December 2018.

***Capitalisation of borrowing costs***

The Group's leasehold property includes borrowing costs arising from bank loans borrowed specifically for the purpose of the construction of leasehold property. The borrowing costs capitalised as cost of property, plant and equipment amounted to $145,000 (2017: $145,000).

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 10. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

| | Leasehold property $'000 | Leasehold land $'000 | Machinery and equipment $'000 | Electrical works $'000 | Furniture and fittings $'000 |
|---|---|---|---|---|---|
| **Company** | | | | | |
| **Cost** | | | | | |
| As at 1.1.2017 | 52,072 | 18,731 | 384 | 2,244 | 3,025 |
| Additions | – | 154 | 112 | 47 | 5,088 |
| As at 31.12.2017 and 1.1.2018 | 52,072 | 18,885 | 496 | 2,291 | 8,113 |
| Additions | – | – | 9 | 228 | 4,629 |
| As at 31.12.2018 | 52,072 | 18,885 | 505 | 2,519 | 12,742 |
| **Accumulated depreciation** | | | | | |
| As at 1.1.2017 | 3,227 | 1,147 | 234 | 1,465 | 943 |
| Charge for the year | 920 | 334 | 92 | 446 | 881 |
| As at 31.12.2017 and 1.1.2018 | 4,147 | 1,481 | 326 | 1,911 | 1,824 |
| Charge for the year | 920 | 334 | 72 | 314 | 183 |
| As at 31.12.2018 | 5,067 | 1,815 | 398 | 2,225 | 2,007 |
| **Net carrying amount** | | | | | |
| As at 1.1.2017 | 48,845 | 17,584 | 150 | 779 | 2,082 |
| As at 31.12.2017 | 47,925 | 17,404 | 170 | 380 | 6,289 |
| As at 31.12.2018 | 47,005 | 17,070 | 107 | 294 | 10,735 |

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 10. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

| | Office equipment $'000 | Renovation $'000 | Total $'000 |
|---|---|---|---|
| **Company** | | | |
| **Cost** | | | |
| As at 1.1.2017 | 1,923 | 4,783 | 83,162 |
| Additions | 234 | 189 | 5,824 |
| As at 31.12.2017 and 1.1.2018 | 2,157 | 4,972 | 88,986 |
| Additions | 1,664 | 632 | 7,162 |
| As at 31.12.2018 | 3,821 | 5,604 | 96,148 |
| **Accumulated depreciation** | | | |
| As at 1.1.2017 | 1,673 | 3,221 | 11,910 |
| Charge for the year | 199 | 976 | 3,848 |
| As at 31.12.2017 and 1.1.2018 | 1,872 | 4,197 | 15,758 |
| Charge for the year | 346 | 624 | 2,793 |
| As at 31.12.2018 | 2,218 | 4,821 | 18,551 |
| **Net carrying amount** | | | |
| As at 1.1.2017 | 250 | 1,562 | 71,252 |
| As at 31.12.2017 | 285 | 775 | 73,228 |
| As at 31.12.2018 | 1,603 | 783 | 77,597 |

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 11. INVESTMENT PROPERTIES

| | Group and Company | | |
|---|---|---|---|
| | **2018** | 31.12.2017 | 1.1.2017 |
| | **$'000** | $'000 | $'000 |
| **Balance sheet:** | | | |
| At 1 January | **39,463** | 22,984 | 24,053 |
| Additions | **–** | 16,681 | – |
| Net gains from fair value adjustments recognised in profit or loss (Note 4) | **1,081** | 118 | 2 |
| Exchange differences | **(796)** | (320) | (1,071) |
| At 31 December | **39,748** | 39,463 | 22,984 |

The investment properties held by the Group as at 31 December are as follows:

| **Description and Location** | **Existing Use** | **Tenure** | **Unexpired lease term** |
|---|---|---|---|
| 18 units office space located in Xuhui district, Shanghai, The Peoples' Republic of China | Offices | Leasehold | 43 years |
| 2 level shop house located in Holland Village, Lorong Mambong, Singapore | Restaurant and Gymnasium | Freehold | N.A. |

The Group has no restrictions on the realisability of its investment properties and no contractual obligations to purchase, construct or develop investment properties or for repairs, maintenance or enhancements.

Valuation of investment properties

The investment properties located in Shanghai and Singapore are stated at fair value, which have been determined based on valuations performed at financial year end. The valuations were performed by上海沪港房地产估价有限公司and RHT Chestertons Valuation and Advisory Pte Ltd. They are independent real estate valuation experts with a recognised and relevant professional qualification and with recent experience in the location and category of the property being valued. Details of the valuation technique and inputs used are disclosed in Note 34.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 12. INTANGIBLE ASSETS

| | Group | | | | | |
|---|---|---|---|---|---|---|
| | Goodwill | Brand value | Trade mark | Franchise rights | Location premium | Total |
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Cost** | | | | | | |
| As at 1.1.2017 | 6,173 | 3,209 | 1,855 | 1,806 | 474 | 13,517 |
| Additions | – | – | 25 | 84 | – | 109 |
| Write off | – | – | – | (54) | – | (54) |
| Translation difference | – | – | (8) | (11) | – | (19) |
| As at 31.12.2017 and 1.1.2018 | 6,173 | 3,209 | 1,872 | 1,825 | 474 | 13,553 |
| Additions | – | – | 352 | 148 | – | 500 |
| Write off | – | – | (115) | – | – | (115) |
| Translation difference | – | – | (35) | 17 | – | (18) |
| As at 31.12.2018 | 6,173 | 3,209 | 2,074 | 1,990 | 474 | 13,920 |
| **Accumulated amortisation and impairment losses** | | | | | | |
| As at 1.1.2017 | 1,336 | 2,569 | 1,148 | 1,557 | 474 | 7,084 |
| Amortisation | – | 213 | 141 | 83 | – | 437 |
| Write off | – | – | – | (54) | – | (54) |
| Translation difference | – | – | (2) | (1) | – | (3) |
| As at 31.12.2017 and 1.1.2018 | 1,336 | 2,782 | 1,287 | 1,585 | 474 | 7,464 |
| Amortisation | – | 213 | 119 | 82 | – | 414 |
| Write off | – | – | (38) | – | – | (38) |
| Translation difference | – | – | (8) | 17 | – | 9 |
| As at 31.12.2018 | 1,336 | 2,995 | 1,360 | 1,684 | 474 | 7,849 |
| **Net carrying amount** | | | | | | |
| As at 1.1.2017 | 4,837 | 640 | 707 | 249 | – | 6,433 |
| As at 31.12.2017 | 4,837 | 427 | 585 | 240 | – | 6,089 |
| As at 31.12.2018 | 4,837 | 214 | 714 | 306 | – | 6,071 |

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 12. INTANGIBLE ASSETS (CONT'D)

Brand value, trademark, franchise rights and location premium are determined to have finite useful lives and are amortised on a straight-line basis over their respective estimated economic useful lives and assessed for impairment whenever there is an indication that the intangible assets may be impaired. Brand value, trademark and franchise rights have remaining useful lives of 1 year (31 December 2017: 2 years, 1 January 2017: 3 years), 1 to 10 years (31 December 2017: 1 to 10 years, 1 January 2017: 1 to 10 years) and 1 to 6 years (31 December 2017: 1 to 6 years, 1 January 2017: 1 to 6 years) as at 31 December 2018 respectively.

Amortisation expense is included in "Administrative expenses" in profit or loss.

Impairment testing of goodwill

Goodwill arising from the acquisition of Topwin Investment Holding Pte Ltd and its subsidiaries in the financial year ended 31 December 2005 was primarily attributable to the food court operations in Shanghai.

Goodwill on the acquisition of MWA Pte Ltd in December 2007 was primarily attributable to the food court operations in Singapore.

The food courts located in the same geographical segment are managed by the same management team.

The carrying amounts of goodwill allocated to each cash generating unit ("CGU") are as follows:

| | Carrying amount as at 31.12.18 | Carrying amount as at 31.12.17 | Carrying amount as at 1.1.2017 | Pre-tax discount rate 31.12.2018 | Pre-tax discount rate 31.12.2017 | Pre-tax discount rate 1.1.2017 |
|---|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| Food court operations in: | | | | | | |
| – Shanghai | 3,569 | 3,569 | 3,569 | 12.0% | 13.5% | 12.0% |
| – Singapore | 1,268 | 1,268 | 1,268 | 9.0% | 10.0% | 10.0% |
| | 4,837 | 4,837 | 4,837 | | | |

The recoverable amount is determined based on a fair value less costs of disposal calculation using the cash flow projections based on financial budgets approved by management covering a three-year period, less costs of disposal. The discount rates applied to the cash flow projections are derived from cost of capital plus a reasonable risk premium at the date of assessment of the respective cash generating units.

As the fair value measurement uses unobservable inputs, it is categorised as level 3 under the fair value hierarchy.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 12. INTANGIBLE ASSETS (CONT'D)

Key assumptions used in the fair value less costs of disposal calculations

The calculations of fair value less cost of disposal for the CGUs are most sensitive to the following assumptions:

*Budgeted gross margins* – Gross margins are based on budgets approved by management.

*Growth rates* – The forecasted growth rates are based on published industry research and do not exceed the long-term average growth rate for the industry relevant to the CGUs.

*Pre-tax discount rates* – Discount rates represent the current market assessment of the risks specific to each CGU, regarding the time value of money and individual risks of the underlying assets which have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its cash-generating units and derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest bearing borrowings the Group is obliged to service. Segment–specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data.

*Costs of disposal* – Costs of disposal are incremental costs directly attributable to the disposal of an asset or cash generating unit, excluding finance costs and income tax expense.

Sensitivity to changes in assumptions

With regards to the assessment of fair value less costs of disposal for Singapore and Shanghai segments, management believes that no reasonably possible changes in any of the key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount.

## 13. INVESTMENT SECURITIES

(a) Financial instruments as at 31 December 2018

| | Group<br>2018<br>$'000 |
|---|---|
| *At fair value through profit or loss* | |
| – Equity instruments (quoted) | 142 |
| – Equity instruments (unquoted) | 58,703 |
| – 3% SGD junior bonds due on 20 January 2020 (unquoted) | 16,819 |
| – 10% SGD junior bonds on 24 April 2025 (unquoted) | 7,485 |
| – Structured investment (unquoted) | 4,797 |
| | 87,946 |
| **Net carrying amount** | |
| Current | 4,797 |
| Non-current | 83,149 |
| | 87,946 |

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 13. INVESTMENT SECURITIES (CONT'D)

(b) Financial instruments as at 31 December 2017 and 1 January 2017

| | Group | |
|---|---|---|
| | **31.12.2017** | 1.1.2017 |
| | **$'000** | $'000 |
| **Current:** | | |
| *Available-for-sale financial assets* | | |
| – Equity instruments (unquoted), at cost | **–** | 18 |
| – Redeemable preference shares (unquoted), at cost | **–** | 5,067 |
| | **–** | 5,085 |
| *Held-to-maturity investments* | | |
| – Debt securities (quoted) | **12,886** | – |
| – 5% SGD junior bonds (unquoted) | **–** | 12,137 |
| | **12,886** | 12,137 |
| Total | **12,886** | 17,222 |
| **Non-Current:** | | |
| *Available-for-sale financial assets* | | |
| – Equity instruments (quoted), at fair value | **200** | 1,010 |
| – Equity instruments (unquoted), at cost | **45,372** | 45,372 |
| | **45,572** | 46,382 |
| *Held-to-maturity investments* | | |
| – 3% SGD junior bonds due on 20 January 2020 (unquoted) | **18,000** | 18,000 |
| – 10% SGD junior bonds due on 24 April 2025 (unquoted) | **8,496** | 8,496 |
| | **26,496** | 26,496 |
| Total | **72,068** | 72,878 |

3% SGD junior bonds

On 10 February 2012, Imagine Properties Pte Ltd ("IPPL") had completed the subscription of $18,000,000 in principal amount of junior bonds and was issued 72 ordinary shares of $1.00 per ordinary share in the share capital of Perennial (Chijmes) Pte Ltd ("PCPL"). IPPL's investment in ordinary shares of PCPL is classified as an investment in associate (Note 15).

The junior bonds mature on 20 January 2020 and bear interest semi-annually in arrears, at minimum 3% per annum from 1 January 2013.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 13. INVESTMENT SECURITIES (CONT'D)

10% SGD junior bonds and equity instrument (unquoted) in Perennial 8 Shenton Investors Pte Ltd.

On 24 April 2015, IPPL had completed the subscription of $8,496,000 in principal amount of junior bonds and was issued 8,496 ordinary shares of $1,280 per share (aggregate issue price of $10,874,880) in the share capital of Perennial 8 Shenton Investors Pte Ltd ("P8SIPL").
IPPL's investment in ordinary shares of P8SIPL is classified as an unquoted equity instrument.

The junior bonds mature on 2025 and bear interest semi-annually in arrears, at maximum 10% per annum from 24 April 2016.

Equity instruments (unquoted)

On 30 September 2012, IPPL together with a consortium of investors, entered into a joint venture agreement to invest in Perennial Tongzhou Development Pte Ltd ("PTD") for the subscription of ordinary shares of PTD. IPPL's subscription of 20,130 ordinary shares for a cash consideration of $20,130,000 represents a 5.27% equity interest in PTD. On 12 March 2014, the shareholders of PTD agreed to an additional capital injection in PTD, of which IPPL's proportionate share of the capital call was $347,000. 347,000 shares was allotted to IPPL on 14 March 2014.

On 15 April 2013, IPPL together with a consortium of investors, entered into a joint venture agreement to invest in Perennial Tongzhou Holdings Pte Ltd ("PTH") for the subscription of ordinary shares of PTH. IPPL's subscription of 14,520 ordinary shares for a cash consideration of $14,520,000 represents a 5.86% equity interest in PTH.

On 3 January 2018, IPPL together with a consortium of investors, entered into a joint venture agreement to invest in Perennial HC Holdings Pte Ltd ("PHCH") for the subscription of ordinary shares of PHCH. IPPL will eventually subscribed to 25,000,000 ordinary shares at US$1 per share, representing 5% equity interest in PHCH. The investment will be funded progressively upon capital call. As at 31 December 2018, a total of 6,918,250 ordinary shares has been subscribed for a cash consideration of $9,427,000, representing 5% equity interest in PHCH.

Debt securities

During the financial year 2017, a subsidiary, BTG Vault Pte Ltd ("BTGV") purchased leveraged credit linked investment products through a reputable bank in Singapore. BTGV purchased additional investment amounting to $1,012,000 during the year. The leveraged credit linked investments yield periodic interest income at a net effective interest rate between 7.1% and 8.7% per annum. The leveraged credit linked investments has matured during the year.

Structured investment

During the year, BTGV purchased three autocallable structured investments through a reputable bank in Singapore for a consideration of $13,000,000. The autocallable structured investments will act as natural hedge against foreign currency exchange fluctuation. Two of the autocallable structured investments have been disposed during the year. The remaining autocallable investment will mature in May 2019.

Investments pledged as security

The Group's investments in unquoted equity instruments of $26,197,000 (2017: $25,242,000) and junior bonds of $24,304,000 (2017: $26,496,000) have been pledged as security for bank loans (Note 26).

Fair value adjustments

During the financial year, fair value adjustments of $1,918,000 (FY17: nil) was brought to profit and loss in respect of investment securities.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 14. INVESTMENT IN SUBSIDIARIES

| | **2018** | 2017 |
|---|---|---|
| | **$'000** | $'000 |
| Unquoted equity shares at cost | **28,864** | 28,864 |
| Capital contributions in the form of share options issued to employees of subsidiaries | **949** | 858 |
| Impairment losses: | | |
| – Unquoted shares | **(5,304)** | (5,304) |
| | **24,509** | 24,418 |

### (a) *Composition of the Group*

The Group has the following investment in subsidiaries:

| Name | Country of incorporation | Principal activities | Proportion of ownership interest | | |
|---|---|---|---|---|---|
| | | | **2018** | 31.12.2017 | 1.1.2017 |
| | | | % | % | % |
| **Held by the Company** | | | | | |
| BreadTalk Pte Ltd [(1)] | Singapore | Bakers and manufacturers of and dealers in bread, flour and biscuits | **100** | 100 | 100 |
| Together Inc. Pte Ltd [(3)] | Singapore | Investment holding | **100** | 100 | 100 |
| BreadTalk International Pte Ltd [(3)] | Singapore | Investment holding | **100** | 100 | 100 |
| Topwin Investment Holding Pte Ltd [(3)] | Singapore | Investment holding | **100** | 100 | 100 |
| Star Food Pte Ltd [(3)] | Singapore | Investment holding | **100** | 100 | 100 |
| Imagine IHQ Pte Ltd [(3)] | Singapore | Investment holding | **100** | 100 | 100 |
| Imagine Properties Pte Ltd [(1)] | Singapore | Investment holding | **100** | 100 | 100 |
| BTG Vault Pte Ltd [(3)] | Singapore | Acquiring and holding of intellectual property rights | **100** | 100 | 100 |
| **Held through BreadTalk Pte Ltd** | | | | | |
| Thye Moh Chan Pte Ltd [(3)] | Singapore | Wholesale of confectionery and bakery products | **100** | 100 | 100 |
| Queens Coffee Pte Ltd [(3)] | Singapore | Processing, sale and distribution of premium coffee beans and tea dust; and distribution of related processing equipment | **100** | 100 | 100 |

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 14. INVESTMENT IN SUBSIDIARIES (CONT'D)

### (a) *Composition of the Group (cont'd)*

| Name | Country of incorporation | Principal activities | Proportion of ownership interest 2018 % | 31.12.2017 % | 1.1.2017 % |
|---|---|---|---|---|---|
| **Held through Together Inc. Pte Ltd** | | | | | |
| Ramen Play Pte Ltd (3) | Singapore | Operators of restaurants | **85** | 85 | 85 |
| Taster Food Pte Ltd (1) | Singapore | Operators of food and drinks outlets, eating houses and restaurants | **70** | 70 | 70 |
| Taster Food UK Limited (11) | England and Wales | Operators of restaurants | **50.5** | 100 | 100 |
| BTG-Song Fa Venture Pte Ltd (3) | Singapore | Operators of restaurants | **90** | 90 | – |
| BTG-Shinmei Venture Pte Ltd (3) (Note (e)) | Singapore | General wholesale trading | **66** | – | – |
| BTG-WPC Venture Pte Ltd (11) (Note (e)) | Singapore | Manufacture and wholesale of bakery confectionary products | **80** | – | – |
| BTG-Pindao Venture Pte Ltd (3) (Note (e)) | Singapore | Operators of cafes and coffee houses | **90** | – | – |
| **Held through BTG-Song Fa Venture Pte Ltd** | | | | | |
| Song Yu (Shanghai) Management Co., Ltd (2) | People's Republic of China | Operators of restaurants | **100** | 100 | – |
| Song Yu (Beijing) Management Co., Ltd (11) (Note (e)) | People's Republic of China | Operators of restaurants | **100** | – | – |
| BT SF Corporation (Thailand) Co., Ltd (9) (Note (e)) | Thailand | Investment holding | **48.8(16)** | – | – |
| BT Song Fa (Thailand) Co., Ltd (9) (Note (e)) | Thailand | Operators of restaurants | **49(17)** | – | – |
| **Held through BT Song Fa (Thailand) Co., Ltd** | | | | | |
| BT SF Corporation (Thailand) Co., Ltd (9) (Note (e)) | Thailand | Investment holding | **50.9(16)** | – | – |

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 14. INVESTMENT IN SUBSIDIARIES (CONT'D)

### (a) *Composition of the Group (cont'd)*

| Name | Country of incorporation | Principal activities | Proportion of ownership interest | | |
|---|---|---|---|---|---|
| | | | **2018** | 31.12.2017 | 1.1.2017 |
| | | | % | % | % |
| **Held through BTG-Pindao Venture Pte Ltd** | | | | | |
| BTG-Song Fa-Pindao Venture Pte Ltd [11] (Note (e)) | Singapore | Operators of restaurants | **90** | – | – |
| **Held through Taster Food Pte Ltd** | | | | | |
| Taster Food International Pte Ltd [3] | Singapore | Investment holding | **90** | 90 | 90 |
| **Held through Taster Food International Pte Ltd** | | | | | |
| Taster Food Corporation (Thailand) Co., Ltd [9] [10] (Note (e)) | Thailand | Investment holding | **48.9**[15] | – | – |
| Taster Food (Thailand) Co., Ltd [9] | Thailand | Operators of restaurants | **49**[12] | 49[12] | 49[12] |
| **Held through Taster Food Corporation (Thailand) Co., Ltd** | | | | | |
| Taster Food (Thailand) Co., Ltd [9] | Thailand | Operators of restaurants | **50.9**[12] | – | – |
| **Held through Taster Food (Thailand) Co., Ltd** | | | | | |
| Taster Food Corporation (Thailand) Co., Ltd [9] (Note (e)) | Thailand | Investment holding | **50.9**[15] | – | – |

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 14. INVESTMENT IN SUBSIDIARIES (CONT'D)

### *(a) Composition of the Group (cont'd)*

| Name | Country of incorporation | Principal activities | Proportion of ownership interest | | |
|---|---|---|---|---|---|
| | | | **2018** | 31.12.2017 | 1.1.2017 |
| | | | **%** | % | % |
| **Held through BreadTalk International Pte Ltd** | | | | | |
| BreadTalk Investment Holdings Co., Ltd [11] (Note (e)) | People's Republic of China | Investment holding | **100** | – | – |
| Shanghai BreadTalk Co., Ltd [2] | People's Republic of China | Bakers and manufacturers of and dealers in bread, flour and biscuits | **100** | 100 | 100 |
| Shanghai BreadTalk Gourmet Co., Ltd [2] | People's Republic of China | Management of food and beverage, manufacture and retail of bakery, confectionery products | **100** | 100 | 100 |
| Beijing BreadTalk Restaurant Management Co., Ltd [2] | People's Republic of China | Management of food and beverage, manufacture and retail of bakery, confectionery products | **100** | 100 | 100 |
| BreadTalk (Thailand) Co., Ltd [9] | Thailand | Management of food and beverage, manufacture and retail of bakery, confectionery products | **49 [13]** | 49 [13] | 49 [13] |
| BreadTalk Corporation (Thailand) Co., Ltd [9] | Thailand | Investment holding | **49 [14]** | 49 [14] | 49 [14] |
| PT BTG Pura Indah Berkat Venture [11] (Note (e)) | Indonesia | Bakers and manufacturers of and dealers in bread, flour and biscuits | **70** | – | – |
| ML Breadworks Sdn Bhd [4] | Malaysia | Dormant | **100** | 100 | 90 |
| **Held through BreadTalk Investment Holdings Co., Ltd** | | | | | |
| BreadTalk Jiaxing Food Manufacturing Co., Ltd [11] (Note (e)) | People's Republic of China | Investment holding | **100** | – | – |

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 14. INVESTMENT IN SUBSIDIARIES (CONT'D)

### (a) *Composition of the Group (cont'd)*

| Name | Country of incorporation | Principal activities | Proportion of ownership interest 2018 % | 31.12.2017 % | 1.1.2017 % |
|---|---|---|---|---|---|
| **Held through Shanghai BreadTalk Co., Ltd** | | | | | |
| Shanghai Ramen Play Co., Ltd [5] | People's Republic of China | Operators of restaurants | **30[20]** | 30[20] | 30[20] |
| **Held through Beijing BreadTalk Restaurant Management Co., Ltd** | | | | | |
| Beijing BreadTalk Co., Ltd [2] | People's Republic of China | Manufacture and sale of bakery and confectionery products | **100** | 100 | 100 |
| **Held through BreadTalk (Thailand) Co., Ltd** | | | | | |
| BreadTalk Corporation (Thailand) Co., Ltd [9] | Thailand | Investment holding | **50.9 [14]** | 50.9 [14] | 50.9 [14] |
| **Held through BreadTalk Corporation (Thailand) Co., Ltd** | | | | | |
| BreadTalk (Thailand) Co., Ltd [9] | Thailand | Management of food and beverage, manufacture and retail of bakery, confectionery products | **51 [13]** | 51 [13] | 51 [13] |
| BT Song Fa (Thailand) Co., Ltd [9] (Note (e)) | Thailand | Operators of restaurants | **51[17]** | – | – |
| **Held through Topwin Investment Holding Pte Ltd** | | | | | |
| Food Republic (Shanghai) Co., Ltd [2] | People's Republic of China | Food court operator | **100** | 100 | 100 |
| Beijing Da Shi Dai Food and Beverage Co., Ltd [2] | People's Republic of China | Food court operator | **100** | 100 | 100 |

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 14. INVESTMENT IN SUBSIDIARIES (CONT'D)

### (a) *Composition of the Group (cont'd)*

| Name | Country of incorporation | Principal activities | Proportion of ownership interest | | |
|---|---|---|---|---|---|
| | | | **2018** | 31.12.2017 | 1.1.2017 |
| | | | % | % | % |
| **Held through Topwin Investment Holding Pte Ltd (cont'd)** | | | | | |
| Megabite Hong Kong Limited [6] | Hong Kong | Investment holding and food court operator | **100** | 100 | 100 |
| Food Republic Pte Ltd [1] | Singapore | Food court operator | **100** | 100 | 100 |
| FR International Holdings Pte Ltd [22] | Singapore | Investment Holding | **–** | – | 100 |
| Megabite (S) Pte Ltd [21] | Singapore | Investment holding | **–** | 100 | 100 |
| Megabite Eatery (M) Sdn Bhd [4] | Malaysia | Operator of food and beverage outlets | **100** | 100 | 100 |
| Food Republic Taiwan Co., Ltd [8] | Taiwan | Food court operator | **100** | 100 | 100 |
| FR (Cambodia) Co., Ltd [11] (Note (e)) | Cambodia | Food court operator | **100** | – | – |
| FR (Thailand) Co., Ltd [9] [10] | Thailand | Food court operator | **49[18]** | 49[18] | 49[18] |
| FR Corporation (Thailand) Co., Ltd [9] [10] (Note (e)) | Thailand | Food court operator | **49[19]** | – | – |
| **Held through FR Corporation (Thailand) Co., Ltd** | | | | | |
| FR (Thailand) Co., Ltd [9] [10] (Note (e)) | Thailand | Food court operator | **50.9[18]** | – | – |
| **Held through FR (Thailand) Co., Ltd** | | | | | |
| FR Corporation (Thailand) Co., Ltd [9] [10] (Note (e)) | Thailand | Food court operator | **50.9[19]** | – | – |
| **Held through FR International Holdings Pte Ltd** | | | | | |
| FR-AK Venture Pte Ltd [22] | Singapore | Operator of Food and beverage outlets | **–** | – | 70 |

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 14. INVESTMENT IN SUBSIDIARIES (CONT'D)

### *(a) Composition of the Group (cont'd)*

| Name | Country of incorporation | Principal activities | Proportion of ownership interest | | |
|---|---|---|---|---|---|
| | | | **2018** | 31.12.2017 | 1.1.2017 |
| | | | **%** | % | % |
| **Held through Food Republic (Shanghai) Co., Ltd** | | | | | |
| Chongqing Food Republic Food & Beverage Management Co., Ltd [5] | People's Republic of China | Food court operator | **100** | 100 | 100 |
| Food Republic (Chengdu) Co., Ltd [5] | People's Republic of China | Food court operator | **100** | 100 | 100 |
| Food Republic Hangzhou F&B Co., Ltd [21] | People's Republic of China | Food court operator | **–** | 100 | 100 |
| Shanghai Ramen Play Co., Ltd [5] | People's Republic of China | Operators of restaurants | **30[20]** | 30[20] | 30[20] |
| Shanghai Food Court F&B Management Co., Ltd [5] | People's Republic of China | Operator of food and beverage outlets | **100** | 100 | 100 |
| **Held through Megabite Hong Kong Limited** | | | | | |
| BreadTalk Concept Hong Kong Limited [6] | Hong Kong | Management of food and beverage, manufacture and retail of bakery, confectionery products | **100** | 100 | 100 |
| Food Republic Shenzhen F&B Management Co., Ltd [7] | People's Republic of China | Food court operator | **100** | 100 | 100 |
| Food Republic Guangzhou F&B Management Co., Ltd [7] | People's Republic of China | Food court operator | **75** | 75 | 75 |
| **Held through Megabite (S) Pte Ltd** | | | | | |
| Food Art Pte Ltd [21] | Singapore | Dormant | **–** | 100 | 100 |

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 14. INVESTMENT IN SUBSIDIARIES (CONT'D)

### *(a) Composition of the Group (cont'd)*

| Name | Country of incorporation | Principal activities | Proportion of ownership interest 2018 % | 31.12.2017 % | 1.1.2017 % |
|---|---|---|---|---|---|
| **Held through Star Food Pte Ltd** | | | | | |
| Shanghai Star Food F&B Management Co., Ltd [5] | People's Republic of China | Investment holding | **100** | 100 | 100 |
| Beijing Star Food F&B Management Co., Ltd [5] | People's Republic of China | Dormant | **100** | 100 | 100 |
| **Held through Shanghai Star Food F&B Management Co., Ltd** | | | | | |
| Xu Chun (Shanghai) Management Co., Ltd [11] (Note (e)) | People's Republic of China | Operators of restaurants | **80** | – | – |

(1) Audited by Ernst & Young LLP, Singapore
(2) Audited by member firms of Ernst & Young Global in the respective countries
(3) Audited by Nexia TS Public Accounting Corporation, Singapore
(4) Audited by Nexia SSY, Malaysia
(5) Audited by Shanghai Shen Ya Certified Public Accountants Co., Ltd, People's Republic of China
(6) Audited by Nexia Charles Mar Fan Limited, Hong Kong
(7) Audited by Guangdong Link Certified Public Accountants Co., Ltd, People's Republic of China
(8) Audited by KPMG, Taiwan
(9) Audited by Tree Sun Co., Ltd, Thailand
(10) Considered a subsidiary of the BTG as the Company has voting control at general meetings and Board meetings.
(11) Not required to be audited during the financial year.
(12) The Group holds 60.5% ownership interest in Taster Food (Thailand) Co., Ltd in 2018 and accounted for it as a subsidiary. It is considered a subsidiary of the BTG as the Company has voting control at the general meetings and Board meetings.
(13) The Group holds 100% ownership interest in BreadTalk (Thailand) Co., Ltd through BreadTalk International Pte Ltd and BreadTalk Corporation (Thailand) Co., Ltd and accounted for it as a subsidiary.
(14) The Group holds 99.9% ownership interest in BreadTalk Corporation (Thailand) Co., Ltd through BreadTalk International Pte Ltd and BreadTalk (Thailand) Co., Ltd and accounted for it as a subsidiary.
(15) The Group holds 99.7% ownership interest in Taster Food Corporation (Thailand) Co., Ltd through Taster Food International Pte Ltd and Taster Food (Thailand) Co., Ltd and accounted for it as a subsidiary.
(16) The Group holds 89.7% ownership interest in BT SF Corporation (Thailand) Co., Ltd through BTG-Song Fa Venture Pte Ltd and BT Song Fa (Thailand) Co., Ltd and accounted for it as a subsidiary.
(17) The Group holds 89.7% ownership interest in BT Song Fa (Thailand) Co., Ltd through BTG-Song Fa Venture Pte Ltd and BreadTalk Corporation (Thailand) Co., Ltd and accounted for it as a subsidiary.
(18) The Group holds 99.9% ownership interest in FR (Thailand) Co., Ltd through Topwin Investment Holding Pte Ltd and FR Corporation (Thailand) Co., Ltd and accounted for it as a subsidiary.
(19) The Group holds 99.9% ownership interest in FR Corporation (Thailand) Co., Ltd through Topwin Investment Holding Pte Ltd and FR (Thailand) Co., Ltd and accounted for it as a subsidiary.
(20) The Group holds 60% ownership interest in Shanghai Ramen Play Co., Ltd through Shanghai BreadTalk Co., Ltd and Food Republic (Shanghai) Co., Ltd and accounted for it as a subsidiary.
(21) The entity has been struck off during the year.
(22) The entity has been struck off in 2017

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 14. INVESTMENT IN SUBSIDIARIES (CONT'D)

### *(b) Interests in subsidiaries with material non-controlling interests ("NCI")*

The Group has the following subsidiary that have NCI that are material to the Group.

| Name of Subsidiary | Principal place of business | Proportion of ownership interest held by non-controlling interest | Profit allocated to NCI during the reporting period $'000 | Accumulated NCI at the end of reporting period $'000 | Dividends payable to NCI $'000 |
|---|---|---|---|---|---|
| **31 December 2018:** | | | | | |
| Taster Food Pte Ltd | Singapore | 30% | 6,498 | 26,336 | 6,560 |
| **31 December 2017:** | | | | | |
| Taster Food Pte Ltd | Singapore | 30% | 6,773 | 26,398 | 3,444 |
| **1 January 2017:** | | | | | |
| Taster Food Pte Ltd | Singapore | 30% | 6,133 | 23,069 | 1,640 |

There are no significant restrictions on the Group's ability to use or access assets and settle liabilities of the subsidiary with material non-controlling interests.

### *(c) Summarised financial information about subsidiary with material NCI*

Summarised financial information including goodwill on acquisition and consolidation adjustments but before intercompany eliminations of subsidiaries with material non-controlling interests are as follows:

***Summarised balance sheet***

| | Taster Food Pte Ltd | | |
|---|---|---|---|
| | **2018** | As at 31.12.2017 | As at 1.1.2017 |
| | **$'000** | $'000 | $'000 |
| **Current** | | | |
| Assets | **123,509** | 107,250 | 84,306 |
| Liabilities | **(55,160)** | (40,920) | (27,855) |
| Net current assets | **68,349** | 66,330 | 56,451 |
| **Non-current** | | | |
| Assets | **13,874** | 16,031 | 15,726 |
| Liabilities | **(1,512)** | (1,466) | (1,439) |
| Net non-current assets | **12,362** | 14,565 | 14,287 |
| Net assets | **80,711** | 80,895 | 70,738 |

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 14. INVESTMENT IN SUBSIDIARIES (CONT'D)

### (c) *Summarised financial information about subsidiaries with material NCI (cont'd)*

***Summarised statement of comprehensive income***

| | Taster Food Pte Ltd | | |
|---|---|---|---|
| | **2018** | 31.12.2017 | 1.1.2017 |
| | **$'000** | $'000 | $'000 |
| Revenue | **136,209** | 128,930 | 127,287 |
| Profit before income tax | **24,358** | 25,095 | 22,745 |
| Income tax expense | **(4,546)** | (4,445) | (4,046) |
| Profit after tax – continuing operations | **19,812** | 20,650 | 18,699 |
| Other comprehensive income | **–** | – | – |
| Total comprehensive income | **19,812** | 20,650 | 18,699 |

***Other summarised information***

| | Taster Food Pte Ltd | | |
|---|---|---|---|
| | **2018** | 31.12.2017 | 1.1.2017 |
| | **$'000** | $'000 | $'000 |
| Net cash flows from operations | **38,771** | 28,738 | 24,049 |
| Acquisition of significant property, plant and equipment | **2,453** | 5,281 | 4,843 |

### (d) *Acquisition of non-controlling interests*

On 1 June 2018, Taster Food Corporation (Thailand) Co., Ltd, a wholly owned indirect subsidiary of the Company, acquired an additional effective 30.9% equity interest in Taster Food (Thailand) Co., Ltd ("TFT") from its non-controlling interests for a cash consideration of $419,000. As a result of this acquisition, TFT has become effectively a 60.5% owned subsidiary. The carrying value of net assets of TFT as at 1 June 2018 was $4,767,000 and the excess in carrying value of the additional interest acquired was $1,054,000. The cumulative amount of the consideration and the excess in the carrying value of the additional interest acquired has been recognised as "Premium on acquisition of non-controlling interests" within equity.

The following summarises the effect to the change in the Group's ownership interest in TFT on the equity attributable to owners of the Company:

| | **$'000** |
|---|---|
| Consideration paid for acquisition of non-controlling interests | (419) |
| Decrease in equity attributable to non-controlling interests | 1,473 |
| Increase in equity attributable to owners of the Company | 1,054 |

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 14. INVESTMENT IN SUBSIDIARIES (CONT'D)

### *(e) Incorporation of new subsidiaries*

Taster Food Corporation (Thailand) Co., Ltd ("TFCT")

TFCT was incorporated as a 99.7% owned subsidiary of Taster Food International Pte Ltd and Taster Food (Thailand) Co., Ltd on 26 April 2018 with a share capital of $4,000.

Song Yu (Beijing) Management Co., Ltd ("SYBJ")

SYBJ was incorporated as a 100% owned subsidiary of BTG-Song Fa Venture Pte Ltd on 17 September 2018 with a share capital of $1,500,000.

BT SF Corporation (Thailand) Co., Ltd ("BTSFCT")

BTSFCT was incorporated as a 99.7% owned subsidiary of BTG-Song Fa Venture Pte Ltd and BT Song Fa (Thailand) Co., Ltd on 24 May 2018 with a share capital of $4,000.

BT Song Fa (Thailand) Co., Ltd ("BTSFT")

BTSFT was incorporated as a 100% owned subsidiary of BTG-Song Fa Venture Pte Ltd and BreadTalk Corporation (Thailand) Co., Ltd on 7 February 2018 with a share capital of $200,000.

BTG-Shinmei Venture Pte Ltd ("BTGS")

BTGS was incorporated as a 66% owned subsidiary of Together Inc. Pte Ltd on 22 February 2018 with a share capital of $3,000,000.

BTG-WPC Venture Pte Ltd ("BTGWPCV")

BTGWPCV was incorporated as a 80% owned subsidiary of Together Inc. Pte Ltd on 18 October 2018 with a share capital of $2,000,000.

BTG-Pindao Venture Pte Ltd ("BTGPDV")

BTGPDV was incorporated as a 90% owned subsidiary of Together Inc. Pte Ltd on 22 June 2018 with a share capital of $3,000,000.

BTG-Song Fa-Pindao Venture Pte Ltd ("BTGSFPDV")

BTGSFPDV was incorporated as a 90% owned subsidiary of BTG-Pindao Venture Pte Ltd on 16 October 2018 with a share capital of $3,000,000.

PT BTG Pura Indah Berkat Venture ("PTPURA")

PTPURA was incorporated as a 70% owned subsidiary of BreadTalk International Pte Ltd on 7 May 2018 with a share capital of $230,000.

BreadTalk Investment Holdings Co., Ltd ("BTIH")

BTIH was incorporated as a 100% owned subsidiary of BreadTalk International Pte Ltd on 10 October 2018 with a share capital of $4,500,000.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 14. INVESTMENT IN SUBSIDIARIES (CONT'D)

### *(e) Incorporation of new subsidiaries*

BreadTalk Jiaxing Food Manufacturing Co., Ltd ("BTJXFM")

BTJXFM was incorporated as a 100% owned subsidiary of BreadTalk Investment Holdings Co., Ltd on 24 October 2018 with a share capital of $4,400,000.

FR Corporation (Thailand) Co., Ltd ("FRCTH")

FRCTH was incorporated as a 99.9% owned subsidiary of Topwin Investment Holding Pte Ltd and FR (Thailand) Co., Ltd on 25 October 2018 with a share capital of $1,000.

FR (Cambodia) Co., Ltd ("FRCAMB")

FRCAMB was incorporated as a 100% owned subsidiary of Topwin Investment Holding Pte Ltd on 9 July 2018 with a share capital of $6,800.

Xu Chun (Shanghai) Management Co., Ltd ("XCSH")

XCSH was incorporated as a 80% owned subsidiary of Shanghai Star Food F&B Management Co., Ltd on 5 June 2018 with a share capital of $1,666,000.

## 15. INVESTMENT IN ASSOCIATES

The Group's material investments in associates are summarised below:

| | Group | | |
|---|---|---|---|
| | **2018** | 31.12.2017 | 1.1.2017 |
| | **$'000** | $'000 | $'000 |
| Carl Karcher Enterprises (Cayman) Ltd | **–** | 2,616 | 1,968 |
| Perennial (Chijmes) Pte Ltd | **22,738** | 22,619 | 22,643 |
| Other associates | **3,488** | 3,247 | 2,422 |
| | **26,226** | 28,482 | 27,033 |
| Impairment loss | **–** | (1,800) | – |
| At end of year | **26,226** | 26,682 | 27,033 |

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 15. INVESTMENT IN ASSOCIATES (CONT'D)

Details of the associates are as follows:

| Name | Country of incorporation | Principal activities | Proportion of ownership interest | | |
|---|---|---|---|---|---|
| | | | **2018** | 31.12.2017 | 1.1.2017 |
| | | | % | % | % |
| ***Held through subsidiaries*** | | | | | |
| Perennial (Chijmes) Pte Ltd ("PCPL") [1] | Singapore | Investment holding | **29** | 29 | 29 |
| JBT (China) Pte Ltd ("JBTC") [2] | Singapore | Investment holding | **30** | 30 | 30 |
| Tate Projects Pte Ltd [3] | Singapore | General building contractor | **25** | 25 | 25 |
| Carl Karcher Enterprises (Cayman) Ltd ("CKEC") [4] (Note (a)) | Cayman Islands | Investment holding | **31** | 40 | 40 |
| Avenue Ambience Sdn Bhd [6] | Malaysia | Bakers and manufacturers of and dealers in bread, flour and biscuits | **25** | 25 | – |
| Shi Shi Le (Chong Qing) Co., Ltd [6] (Note (b)) | People's Republic of China | Bakers and manufacturers of and dealers in bread, flour and biscuits | **30** | – | – |
| **Held by PCPL** | | | | | |
| Pre 8 Investments Pte Ltd [1] | Singapore | Operators of commercial malls | **100** | 100 | 100 |
| **Held by JBTC** | | | | | |
| JBT (Shanghai) Co., Ltd [5] | People's Republic of China | Operators of restaurants | **100** | 100 | 100 |
| **Held by CKEC** | | | | | |
| Carl Karcher Enterprises (HK) Limited [4] | Hong Kong | Investment holding | **100** | 100 | 100 |
| CKE (Shanghai) F&B Management Limited [4] | People's Republic of China | Operators of restaurants | **100** | 100 | 100 |

(1) Audited by KPMG LLP, Singapore
(2) Audited by Deloitte LLP, Singapore
(3) Audited by Leethen & Associates, Singapore
(4) Audited by KPMG Huazhen, People's Republic of China
(5) Audited by Shanghai Shen Ya Certified Public Accountants Co., Ltd, People's Republic of China
(6) Audited by PricewaterhouseCoopers PLT, Chartered Accountant, Malaysia

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 15. INVESTMENT IN ASSOCIATES (CONT'D)

### *(a) Dilution of interests in associate*

During the year, a wholly owned subsidiary, Star Food Pte Ltd did not participate in CKEC's capital funding exercise. Consequently the shareholdings in CKEC was diluted to 31% (FY2017: 40%).

The Group has not recognised losses relating to CKEC where its share of losses have exceeded the Group's interest in this associate. The Group's current and cumulative share of unrecognised losses at the end of the reporting period was $2,606,000 (31 December 2017: nil, 1 January 2017: nil). The Group has no obligation in respect of the losses.

### *(b) Investment in new associate*

During the year, Shanghai BreadTalk Gourmet Co., Ltd, a wholly owned subsidiary, injected share capital of $477,000, representing 30% shareholdings in Shi Shi Le (Chong Qing) Co., Ltd.

For the financial year, $60,000 dividends (2017: nil) were received from associates. All associates are not restricted by regulatory requirements on the distribution of dividends.

Impairment loss recognised

During the year, no impairment loss was recognised (2017: $1,800,000).

Aggregate information about the Group's investments in associates that are not individually material are as follows:

| | Group | | |
|---|---|---|---|
| | **2018** | 31.12.2017 | 1.1.2017 |
| | **$'000** | $'000 | $'000 |
| (Loss)/profit after tax from continuing operations | **(3,761)** | 2,172 | 1,901 |
| Other comprehensive income | **–** | – | – |
| Total comprehensive income | **(3,761)** | 2,172 | 1,901 |

The summarised financial information in respect of PCPL, based on its management accounts and reconciliation with the carrying amount of the investment in the consolidated financial statements are as follows:

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 15. INVESTMENT IN ASSOCIATES (CONT'D)

**Summarised balance sheet**

| | PCPL | | |
|---|---|---|---|
| | **2018** | 31.12.2017 | 1.1.2017 |
| | **$'000** | $'000 | $'000 |
| Current assets | **7,867** | 8,281 | 9,936 |
| Non-current assets [1] | **334,382** | 334,141 | 333,749 |
| Total assets | **342,249** | 342,422 | 343,685 |
| Current liabilities | **(4,797)** | (6,110) | (14,018) |
| Non-current liabilities | **(259,046)** | (258,315) | (251,588) |
| Total liabilities | **(263,843)** | (264,425) | (265,606) |
| Net assets | **78,406** | 77,997 | 78,079 |
| Proportion of the Group's ownership | **29%** | 29% | 29% |
| Group's share of net assets | **22,738** | 22,619 | 22,643 |
| Carrying amount of the investment | **22,738** | 22,619 | 22,643 |

[1] Non-current assets include an investment property held by the associate. As at 31 December 2018, the carrying value of this investment property amounted to $334,000,000.

**Summarised statement of comprehensive loss**

| | PCPL | | |
|---|---|---|---|
| | **2018** | 31.12.2017 | 1.1.2017 |
| | **$'000** | $'000 | $'000 |
| Revenue | **13,780** | 13,547 | 13,805 |
| Profit/(loss) after tax from continuing operations | **409** | (82) | (144) |
| Total comprehensive profit/(loss) | **409** | (82) | (144) |

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 16. INVESTMENT IN JOINT VENTURES

The Group's material investments in joint ventures are summarised below:

| | Group | | |
|---|---|---|---|
| | **2018** | 31.12.2017 | 1.1.2017 |
| | **$'000** | $'000 | $'000 |
| BTM (Thailand) Ltd | **3,945** | 5,016 | 3,557 |
| Shanghai ABPan Co., Ltd | **3,920** | 3,753 | 3,681 |
| Apex Excellent Sdn Bhd | **522** | 1,069 | 847 |
| Exchange differences | **297** | 202 | 149 |
| | **8,684** | 10,040 | 8,234 |

Details of the joint ventures are as follows:

| Name | Country of incorporation | Principal activities | Proportion of ownership interest | | |
|---|---|---|---|---|---|
| | | | **2018** | 31.12.2017 | 1.1.2017 |
| | | | **%** | % | % |
| ***Held through subsidiaries*** | | | | | |
| Apex Excellent Sdn Bhd [1] | Malaysia | Food court operator | **50** | 50 | 50 |
| Shanghai ABPan Co., Ltd ("SHAB") [2] | People's Republic of China | Manufacture and sale of frozen dough | **50** | 50 | 50 |
| BTM (Thailand) Ltd ("BTM") [3] | Thailand | Management of food and beverage, manufacture and retail of bakery, confectionery products | **50** | 50 | 50 |

(1) Audited by Nexia SSY, Malaysia
(2) Audited by Ernst & Young Hua Ming LLP, People's Republic of China
(3) Audited by PricewaterhouseCoopers ABAS Ltd

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 16. INVESTMENT IN JOINT VENTURES (CONT'D)

The activities of the joint ventures are strategic to the Group's activities. The Group jointly controls the joint ventures with other partners under contractual agreements that require unanimous consent to all major decisions over the relevant activities.

Aggregate information about the Group's investments in joint ventures that are not individually material are as follows:

| | Group | | |
|---|---|---|---|
| | **2018** | 31.12.2017 | 1.1.2017 |
| | **$'000** | $'000 | $'000 |
| Profit or loss after tax from continuing operations | **557** | 446 | 545 |
| Other comprehensive income | **–** | – | – |
| Total comprehensive income | **557** | 446 | 545 |

The summarised financial information in respect of SHAB and BTM, based on their management accounts and reconciliation with the carrying amount of the investment in the consolidated financial statements are as follows:

**Summarised balance sheet**

| | SHAB | | | BTM | | |
|---|---|---|---|---|---|---|
| | **2018** | 31.12.2017 | 1.1.2017 | **2018** | 31.12.2017 | 1.1.2017 |
| | **$'000** | $'000 | $'000 | **$'000** | $'000 | $'000 |
| Cash and cash equivalents | **4,609** | 3,017 | 3,350 | **1,437** | 2,506 | 834 |
| Trade receivables | **–** | – | – | **1,241** | 1,276 | 1,707 |
| Other current assets | **2,187** | 4,122 | 2,960 | **1,878** | 2,306 | 1,264 |
| Current assets | **6,796** | 7,139 | 6,310 | **4,556** | 6,088 | 3,805 |
| Non-current assets | **2,372** | 2,285 | 3,650 | **9,432** | 9,759 | 8,793 |
| Total assets | **9,168** | 9,424 | 9,960 | **13,988** | 15,847 | 12,598 |
| Current liabilities | **(1,349)** | (1,609) | (2,099) | **(3,364)** | (4,441) | (3,994) |
| Non-current liabilities | **–** | – | – | **(1,382)** | – | – |
| Total liabilities | **(1,349)** | (1,609) | (2,099) | **(4,746)** | (4,441) | (3,994) |
| Net assets | **7,819** | 7,815 | 7,861 | **9,242** | 11,406 | 8,604 |
| Proportion of the Group's ownership | **50%** | 50% | 50% | **50%** | 50% | 50% |
| Group's share of net assets | **3,910** | 3,908 | 3,931 | **4,621** | 5,703 | 4,302 |
| Other adjustments | **–** | – | – | **(371)** | (516) | (662) |
| Exchange difference | **10** | (155) | (250) | **(305)** | (171) | (83) |
| Carrying amount of the investment | **3,920** | 3,753 | 3,681 | **3,945** | 5,016 | 3,557 |

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 16. INVESTMENT IN JOINT VENTURES (CONT'D)

**Summarised statement of comprehensive income**

| | SHAB | | | BTM | | |
|---|---|---|---|---|---|---|
| | **2018** | 31.12.2017 | 1.1.2017 | **2018** | 31.12.2017 | 1.1.2017 |
| | **$'000** | $'000 | $'000 | **$'000** | $'000 | $'000 |
| Revenue | **9,835** | 12,244 | 11,820 | **24,599** | 23,871 | 17,981 |
| Operating expenses | **(9,378)** | (11,131) | (10,760) | **(27,075)** | (23,218) | (17,203) |
| Profit/(loss) before tax | **457** | 1,113 | 1,060 | **(2,476)** | 653 | 778 |
| Income tax expense | **(137)** | (274) | (288) | **43** | (38) | (79) |
| Profit/(loss) after tax | **320** | 839 | 722 | **(2,433)** | 615 | 699 |
| Other comprehensive income | **–** | – | – | **–** | – | – |
| Total comprehensive income | **320** | 839 | 722 | **(2,433)** | 615 | 699 |

Additional interests in joint venture, with no change in shareholdings

In the financial year 2017, BTM increased its share capital to $10,027,000. Proportionate to its shareholdings of 50% in BTM, a wholly owned subsidiary, BreadTalk (Thailand) Co., Ltd injected additional share capital of $1,005,000.

Dividends of $825,000 (2017: $348,000) were received from joint venture. All joint ventures are not restricted by regulatory requirements on the distribution of dividends.

## 17. INVENTORIES

| | Group | | |
|---|---|---|---|
| | **2018** | 31.12.2017 | 1.1.2017 |
| | **$'000** | $'000 | $'000 |
| **Balance sheet:** | | | |
| Raw materials and consumables, at cost | **10,390** | 8,878 | 8,951 |
| Semi-finished goods | **620** | 536 | 461 |
| Finished goods | **294** | 307 | 394 |
| Total inventories at lower of cost and net realisable value | **11,304** | 9,721 | 9,806 |
| **Profit or loss:** | | | |
| Inventories recognised as an expense in cost of sales | **139,877** | 142,640 | 136,148 |
| Inclusive of the following charge: | | | |
| – Write-off of inventories | **2** | 7 | 18 |
| – Allowance for inventory obsolescence | **12** | 5 | 84 |

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 18. TRADE AND OTHER RECEIVABLES

| | Group | | | Company | | |
|---|---|---|---|---|---|---|
| | **2018** | 31.12.2017 | 1.1.2017 | **2018** | 31.12.2017 | 1.1.2017 |
| | **$'000** | $'000 | $'000 | **$'000** | $'000 | $'000 |
| Trade receivables | **6,640** | 7,495 | 6,438 | **–** | – | – |
| Other receivables | **12,108** | 9,264 | 8,503 | **5,501** | 2,367 | 4,240 |
| Interest receivable | **716** | 439 | 852 | **–** | – | – |
| Deposits | **38,483** | 34,754 | 36,256 | **33** | 50 | 29 |
| | **57,947** | 51,952 | 52,049 | **5,534** | 2,417 | 4,269 |
| Other receivables (non-current) | **838** | 1,107 | 1,413 | **–** | – | – |
| | **58,785** | 53,059 | 53,462 | **5,534** | 2,417 | 4,269 |
| Current | **57,947** | 51,952 | 52,049 | **5,534** | 2,417 | 4,269 |
| Non-current | **838** | 1,107 | 1,413 | **–** | – | – |
| | **58,785** | 53,059 | 53,462 | **5,534** | 2,417 | 4,269 |

Other receivables include the following:

(a) Initial fee receivable of $2,077,000 (31 December 2017: $3,100,000, 1 January 2107: $3,706,000) from food atrium stall tenants. The initial fee receivable is a contribution from tenants mainly for renovation costs of the leased food atrium stalls.

Trade receivables

Trade receivables are non-interest bearing and are generally on 15 to 60 days terms (31 December 2017: 15 to 60 days, 1 January 2107: 15 to 60 days). They are recognised at their original invoice amounts which represents their fair values on initial recognition.

Trade receivables denominated in foreign currencies at 31 December are as follows:

| | Group | | |
|---|---|---|---|
| | **2018** | 31.12.2017 | 1.1.2017 |
| | **$'000** | $'000 | $'000 |
| United States Dollar | **183** | – | 275 |

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 18. TRADE AND OTHER RECEIVABLES (CONT'D)

***Receivables that are past due but not impaired***

The Group has trade receivables amounting to $5,572,000 (31 December 2017: $4,577,000, 1 January 2017: $4,016,000) that are past due at the balance sheet date but not impaired. These receivables are unsecured and the analysis of their aging at the balance sheet date is as follows:

| | Group | | |
|---|---|---|---|
| | **2018** | 31.12.2017 | 1.1.2017 |
| | **$'000** | $'000 | $'000 |
| Trade receivables past due: | | | |
| Lesser than 30 days | **1,965** | 2,616 | 2,172 |
| 30 to 60 days | **463** | 643 | 342 |
| 61 to 90 days | **452** | 535 | 258 |
| 91 to 120 days | **263** | 421 | 117 |
| More than 120 days | **2,429** | 362 | 1,127 |
| | **5,572** | 4,577 | 4,016 |

***Receivables that are impaired / partially impaired***

The Group's trade receivables that are impaired at the balance sheet date and the movement of the allowance accounts used to record the impairment are as follows:

| | Group<br>Individually impaired | |
|---|---|---|
| | **31.12.2017** | 1.1.2017 |
| | **$'000** | $'000 |
| Trade receivables – nominal amounts | **210** | – |
| Less: Allowance for impairment | **(210)** | – |
| | **–** | – |
| Movement in allowance accounts: | | |
| At 1 January | **–** | 181 |
| Charge during the year | **250** | – |
| Written back during the year | **(40)** | (181) |
| | **210** | – |

Trade receivables that are individually determined to be impaired at the balance sheet date relate to debtors that are in financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 18. TRADE AND OTHER RECEIVABLES (CONT'D)

Expected credit losses

The movement in allowance for expected credit losses of trade receivables computed based on lifetime ECL are as follows:

| | Group 2018 $'000 |
|---|---|
| Movement in allowance accounts: | |
| At 1 January | **238** |
| Charge for the year | **31** |
| Written back during the year | **(209)** |
| At 31 December | **60** |

Other receivables

Other receivables (current) are non-interest bearing and are generally on 0 to 60 days terms (31 December 2017: 0 to 60 days, 1 January 2017: 0 to 60 days).

***Other receivables that are past due but not impaired***

The Group has other receivables amounting to $1,424,000 (31 December 2017: $1,870,000, 1 January 2017: $974,000) that are past due at the balance sheet date but not impaired. These receivables are unsecured and the analysis of their aging at the balance sheet date is as follows:

| | Group | | |
|---|---|---|---|
| | **2018 $'000** | 31.12.2017 $'000 | 1.1.2017 $'000 |
| Other receivables past due: | | | |
| Lesser than 30 days | **1,117** | 575 | 559 |
| 30 to 60 days | **6** | 1,101 | 83 |
| 61 to 90 days | **21** | 40 | 30 |
| 91 to 120 days | **1** | 28 | 53 |
| More than 120 days | **279** | 126 | 249 |
| | **1,424** | 1,870 | 974 |

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 18. TRADE AND OTHER RECEIVABLES (CONT'D)

***Other receivables that are impaired / partially impaired***

The Group's other receivables that are impaired at the balance sheet date and the movement of the allowance accounts used to record the impairment are as follows:

| | Group Individually impaired | |
|---|---|---|
| | **31.12.2017** | 1.1.2017 |
| | **$'000** | $'000 |
| Other receivables – nominal amounts | **87** | 87 |
| Less: Allowance for impairment | **(87)** | (87) |
| | **–** | – |
| Movement in allowance accounts: | | |
| At 1 January | **87** | 33 |
| Charge during the year | **–** | 87 |
| Written off during the year | **–** | (33) |
| | **87** | 87 |

Other receivables that are individually determined to be impaired at the balance sheet date relate to debtors that are in financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

<u>Expected credit losses</u>

The movement in allowance for expected credit losses of other receivables computed based on lifetime ECL are as follows:

| | **Group** |
|---|---|
| | **2018** |
| | **$'000** |
| Movement in allowance accounts: | |
| At 1 January | **105** |
| Charge for the year | **138** |
| At 31 December | **243** |

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 19. DUE FROM/TO RELATED CORPORATIONS

| | Company | | |
|---|---|---|---|
| | **2018** | 31.12.2017 | 1.1.2017 |
| | **$'000** | $'000 | $'000 |
| **Non-current** | | | |
| Loan to subsidiary | **41,292** | 38,831 | 29,905 |
| Less: Impairment losses | **(10,519)** | (8,139) | (3,137) |
| | **30,773** | 30,692 | 26,768 |

The loan to subsidiary has no fixed terms of repayment.

| | Group | | | Company | | |
|---|---|---|---|---|---|---|
| | **2018** | 31.12.2017 | 1.1.2017 | **2018** | 31.12.2017 | 1.1.2017 |
| | **$'000** | $'000 | $'000 | **$'000** | $'000 | $'000 |
| **Current** | | | | | | |
| **Amounts due from:** | | | | | | |
| Subsidiaries (non-trade) | **–** | – | – | **169,231** | 105,149 | 61,885 |
| Associate (trade) | **–** | 9 | 6 | **–** | – | – |
| Associate (non-trade) | **211** | 1 | – | **–** | – | – |
| Joint ventures (trade) | **8** | – | 411 | **–** | – | – |
| Joint ventures (non-trade) | **1,165** | 1,118 | 677 | **–** | – | – |
| Less: impairment loss | **(260)** | – | – | **–** | – | – |
| | **1,124** | 1,128 | 1,094 | **169,231** | 105,149 | 61,885 |
| **Amounts due to:** | | | | | | |
| Subsidiaries (non-trade) | **–** | – | – | **65,964** | 57,787 | 30,674 |
| Associate (non-trade) | **968** | 1,348 | 1,108 | **–** | – | – |
| Joint ventures (trade) | **2,018** | 2,458 | 2,617 | **–** | – | – |
| Joint ventures (non-trade) | **38** | 75 | 178 | **–** | – | – |
| | **3,024** | 3,881 | 3,903 | **65,964** | 57,787 | 30,674 |

The amounts due from/to related corporations (current) are to be settled in cash, unsecured, non-interest bearing and generally on 30 to 60 days term except for:

(i) loans to subsidiaries of $127,736,000 (31 December 2017: $52,738,000, 1 January 2017: $42,963,000) which are repayable on demand;

(ii) loan from a subsidiary of $65,681,000 (31 December 2017: $57,424,000, 1 January 2017: $29,325,000) which bears an effective interest rate of 1.9% (31 December 2017: 1.5%, 1 January 2017: 1.5%) per annum and is repayable on demand.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 19. DUE FROM/TO RELATED CORPORATIONS (CONT'D)

***Receivables that are past due but not impaired***

| | Group | | |
|---|---|---|---|
| | **2018** | 31.12.2017 | 1.1.2017 |
| | **$'000** | $'000 | $'000 |
| *Amounts due from associate (trade)* | | | |
| 61 to 90 days | **–** | 9 | 6 |
| Total as at 31 December | **–** | 9 | 6 |
| *Amounts due from associate (non-trade)* | | | |
| 30 to 60 days | **10** | – | – |
| 61 to 90 days | **1** | 1 | – |
| Total as at 31 December | **11** | 1 | – |

| | Group | | |
|---|---|---|---|
| | **2018** | 31.12.2017 | 1.1.2017 |
| | **$'000** | $'000 | $'000 |
| *Amounts due from joint ventures (trade)* | | | |
| Lesser than 30 days | **–** | – | 18 |
| 30 to 60 days | **–** | – | 55 |
| 61 to 90 days | **–** | – | 11 |
| 91 to 120 days | **–** | – | 2 |
| Total as at 31 December | **–** | – | 86 |
| *Amounts due from joint ventures (non-trade)* | | | |
| Lesser than 30 days | **53** | 133 | 8 |
| 30 to 60 days | **15** | 14 | 7 |
| 61 to 90 days | **14** | 24 | 8 |
| 91 to 120 days | **12** | 57 | 7 |
| More than 120 days | **187** | 68 | 44 |
| Total as at 31 December | **281** | 296 | 74 |

Expected credit losses

The movement in allowance for expected credit losses of due from related corporations computed based on lifetime ECL are as follows:

| | Group |
|---|---|
| | **2018** |
| | **$'000** |
| Movement in allowance accounts: | |
| At 1 January and 31 December | **260** |

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 19. DUE FROM/TO RELATED CORPORATIONS (CONT'D)

| | Company | | |
|---|---|---|---|
| | **2018** | 31.12.2017 | 1.1.2017 |
| | **$'000** | $'000 | $'000 |
| *Amounts due from subsidiaries (non-trade)* | | | |
| Lesser than 30 days | **4,213** | 15,751 | 1,795 |
| 30 to 60 days | **19,207** | 1,919 | 1,919 |
| 61 to 90 days | **33,878** | 45 | 2,584 |
| 91 to 120 days | **112** | 1,713 | 1,301 |
| More than 120 days | **100,695** | 31,635 | 9,680 |
| Total as at 31 December | **158,105** | 51,063 | 17,279 |

## 20. CASH AND CASH EQUIVALENTS

### (a) *Cash and cash equivalents*

| | Group | | | Company | | |
|---|---|---|---|---|---|---|
| | **2018** | 31.12.2017 | 1.1.2017 | **2018** | 31.12.2017 | 1.1.2017 |
| | **$'000** | $'000 | $'000 | **$'000** | $'000 | $'000 |
| Fixed deposits (current) | **7** | 6 | 5,017 | **–** | – | 5,011 |
| Cash on hand and at bank | **184,968** | 141,239 | 115,572 | **15,729** | 1,278 | 3,475 |
| | **184,975** | 141,245 | 120,589 | **15,729** | 1,278 | 8,486 |

Fixed deposits of the Group have a maturity period of 3 months (31 December 2017: 3 months, 1 January 2017: 3 months) with effective interest rates of 1.70% (31 December 2017: 0.96%, 1 January 2017: 0.88%) per annum.

Cash and cash equivalents denominated in foreign currencies are as follows:

| | Group | | | Company | | |
|---|---|---|---|---|---|---|
| | **2018** | 31.12.2017 | 1.1.2017 | **2018** | 31.12.2017 | 1.1.2017 |
| | **$'000** | $'000 | $'000 | **$'000** | $'000 | $'000 |
| United States Dollar | **3,100** | 314 | 639 | **–** | – | – |

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 21. TRADE AND OTHER PAYABLES

| | Group | | | Company | | |
|---|---|---|---|---|---|---|
| | **2018** | 31.12.2017 | 1.1.2017 | **2018** | 31.12.2017 | 1.1.2017 |
| | **$'000** | $'000 | $'000 | **$'000** | $'000 | $'000 |
| **Financial liabilities** | | | | | | |
| Trade payables | **20,865** | 20,718 | 21,062 | **–** | – | – |
| Other payables | | | | | | |
| – Other creditors | **16,830** | 12,094 | 12,587 | **1,083** | 641 | 768 |
| – Payable for purchase of property, plant and equipment | **3,456** | 4,674 | 4,760 | **–** | – | – |
| – Sales collection on behalf of tenants | **23,600** | 21,609 | 20,250 | **–** | – | – |
| Deposits | **22,990** | 25,027 | 24,111 | **1,388** | 1,177 | 1,064 |
| Dividend payable | **6,560** | 3,444 | 1,640 | **–** | – | – |
| | **94,301** | 87,566 | 84,410 | **2,471** | 1,818 | 1,832 |
| **Non-financial liabilities** | | | | | | |
| GST payable | **3,223** | 2,760 | 1,994 | **898** | 357 | 123 |
| | **97,524** | 90,326 | 86,404 | **3,369** | 2,175 | 1,955 |

The deposits refer to deposits from food court tenants and franchisees.

Dividend is payable to non-controlling shareholders of a subsidiary.

Trade payables/other payables

These amounts are non-interest bearing. Trade payables are normally settled on 0 to 60 days terms (31 December 2017: 0 to 60 days terms, 1 January 2017: 0 to 60 days terms) while other payables have an average term of 0 to 90 days terms (31 December 2017: 0 to 90 days terms, 1 January 2017: 0 to 90 days terms), except for retention sums which have repayment terms of up to 1 year.

Trade payables denominated in foreign currencies are as follows:

| | Group | | |
|---|---|---|---|
| | **2018** | 31.12.2017 | 1.1.2017 |
| | **$'000** | $'000 | $'000 |
| United States Dollar | **293** | 283 | 253 |

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 22. OTHER LIABILITIES

| | Group | | | Company | | |
|---|---|---|---|---|---|---|
| | **2018** | 31.12.2017 | 1.1.2017 | **2018** | 31.12.2017 | 1.1.2017 |
| | **$'000** | $'000 | $'000 | **$'000** | $'000 | $'000 |
| **Financial liabilities, current** | | | | | | |
| Accrued operating expenses | **51,768** | 50,630 | 41,912 | **7,033** | 7,012 | 3,395 |
| Accrual for amounts payable for purchase of property plant and equipment | **222** | 361 | 135 | **–** | – | – |
| Financial guarantees | **–** | – | – | **576** | 576 | 576 |
| | **51,990** | 50,991 | 42,047 | **7,609** | 7,588 | 3,971 |
| **Non-financial liabilities, current** | | | | | | |
| Deferred revenue | **23,047** | 24,457 | 25,405 | **–** | – | – |
| Deferred rent | **3,620** | 3,262 | 2,160 | **–** | – | – |
| | **26,667** | 27,719 | 27,565 | **–** | – | – |
| **Non-financial liabilities, non-current** | | | | | | |
| Deferred rent | **7,641** | 9,392 | 11,385 | **–** | – | – |
| | **34,308** | 37,111 | 38,950 | **–** | – | – |
| | **86,298** | 88,102 | 80,997 | **7,609** | 7,588 | 3,971 |
| Current | **78,657** | 78,710 | 69,612 | **7,609** | 7,588 | 3,971 |
| Non-current | **7,641** | 9,392 | 11,385 | **–** | – | – |
| | **86,298** | 88,102 | 80,997 | **7,609** | 7,588 | 3,971 |

Deferred rent represents the difference between the lease payments and lease expenses recognised on straight-line basis over the lease term.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 23. PROVISION FOR REINSTATEMENT COSTS

| | Group | | | Company | | |
|---|---|---|---|---|---|---|
| | **2018** | 31.12.2017 | 1.1.2017 | **2018** | 31.12.2017 | 1.1.2017 |
| | **$'000** | $'000 | $'000 | **$'000** | $'000 | $'000 |
| At 1 January | **15,846** | 14,417 | 15,002 | **27** | 27 | 25 |
| Additions | **1,095** | 2,681 | 2,090 | **–** | – | 2 |
| Utilisation | **(1,001)** | (927) | (2,339) | **–** | – | – |
| Write-back during the year | **(99)** | (82) | (292) | **–** | – | – |
| Exchange differences | **(73)** | (243) | (44) | **–** | – | – |
| Total as at 31 December | **15,768** | 15,846 | 14,417 | **27** | 27 | 27 |

Provision for reinstatement costs is recognised when the Group enters into a lease agreement for the premises. It includes the estimated cost of demolishing and removing all the leasehold improvements made by the Group to the premises. The premises shall be reinstated to the condition set up in the lease agreements upon the expiration of the lease agreements. During the year, the Group incurred reinstatement costs for certain closed outlets and an excess provision of $99,000 (2017: $82,000) was written-back.

## 24. DUE FROM/LOAN FROM NON-CONTROLLING SHAREHOLDERS OF SUBSIDIARIES

The amounts due from and current loan from non-controlling shareholders of subsidiaries are to be settled in cash, unsecured, non-interest bearing and repayable on demand.

The non-current loan from a non-controlling shareholder of a subsidiary is unsecured and non-interest bearing. The loan has no fixed terms of repayment and is to be settled when the cash flow of the subsidiary permits.

## 25. SHORT-TERM LOANS

| | Group | | | Company | | |
|---|---|---|---|---|---|---|
| | **2018** | 31.12.2017 | 1.1.2017 | **2018** | 31.12.2017 | 1.1.2017 |
| | **$'000** | $'000 | $'000 | **$'000** | $'000 | $'000 |
| Bank loans | | | | | | |
| – Singapore Dollar | **–** | 10,000 | – | **–** | 10,000 | – |
| – New Taiwan Dollar | **4,138** | 6,435 | 4,883 | **–** | – | – |
| – Thailand Baht | **1,806** | 2,802 | 2,332 | **–** | – | – |
| | **5,944** | 19,237 | 7,215 | **–** | 10,000 | – |

The effective interest on these short-term loans range from 2.8% to 3.8% (31 December 2017: 1.61% to 3.50%, 1 January 2017: 1.56% to 6.86%) per annum. The interest rates of these floating rate loans are repriced from time to time at the discretion of the respective banks.

The bank loans are revolving credit facilities with a tenure of 6 months (31 December 2017: 6 months, 1 January 2017: 6 months).

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 26. LONG-TERM LOANS

| Term loans | Maturity | Group 2018 $'000 | Group 31.12.2017 $'000 | Group 1.1.2017 $'000 | Company 2018 $'000 | Company 31.12.2017 $'000 | Company 1.1.2017 $'000 |
|---|---|---|---|---|---|---|---|
| Singapore Dollar | 2018 | **–** | 2,860 | 6,569 | **–** | – | – |
| Singapore Dollar | 2028 (Note 1) | **19,368** | 38,214 | 41,793 | **19,368** | 38,214 | 41,793 |
| Singapore Dollar | 2018 | **–** | 1,584 | 2,127 | **–** | 1,584 | 2,127 |
| Singapore Dollar | 2019 (Note 2) | **236** | 1,684 | 3,215 | **–** | – | – |
| Singapore Dollar | 2019 (Note 3) | **12,000** | 30,000 | 43,778 | **–** | – | – |
| Singapore Dollar | 2022 (Note 4) | **12,742** | 13,500 | – | **–** | – | – |
| Hong Kong Dollar | 2020 | **290** | 475 | 1,015 | **–** | – | – |
| Chinese Yuan | 2023 | **319** | – | 301 | **–** | – | – |
| Malaysia Ringgit | 2018 | **–** | 80 | 297 | **–** | – | – |
| Thailand Baht | 2022 | **525** | – | – | **–** | – | – |
| | | **45,480** | 88,397 | 99,095 | **19,368** | 39,798 | 43,920 |
| Current portion | | **16,631** | 37,864 | 24,238 | **3,348** | 4,122 | 4,122 |
| Non-current portion | | **28,849** | 50,533 | 74,857 | **16,020** | 35,676 | 39,798 |
| | | **45,480** | 88,397 | 99,095 | **19,368** | 39,798 | 43,920 |

Note 1 – the term loans are secured by a charge over the Company's leasehold land and property. The loans will mature in 2028. They include the following financial covenants which require the Group to maintain:

– a gearing ratio not exceeding 4.0 times

Note 2 – the term loans are secured by a charge over a subsidiary's machineries and equipment. The loans will mature in 2019.

Note 3 – the term loan is secured by certain investment securities of a subsidiary. It includes the following financial covenants which require the Group to maintain:

– a net worth exceeding the loan covenants granted;
– a gearing ratio not exceeding 4.0 times; and
– Earnings Before Interest, Tax, Depreciation and Amortisation ("EBITDA") exceeding the loan covenants granted.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 26. LONG-TERM LOANS (CONT'D)

Note 4 – the term loan is secured by certain investment property of a subsidiary. It includes the following financial covenants which require the Group to maintain:

- a consolidated tangible net worth not less than $75,000,000;
- a gearing ratio not exceeding 3.0 times; and
- interest coverage ratio of not less than 3.5 times.

All other term loans are secured by continuing guarantees by the Company.

All the loans are floating rate loans with effective interest rates ranging from 2.8% to 4.9% (31 December 2017: 2.0% to 3.9%, 1 January 2017: 1.5% to 4.7%) per annum. The interest rates of these floating rate loans are repriced from time to time at the discretion of the respective banks.

A reconciliation of liabilities arising from the Group's financing activities excluding bank overdrafts is as follows:

| | | Cash flows | Non-cash flows | |
|---|---|---|---|---|
| | **2017** | | **Foreign exchange movement** | **2018** |
| | **$'000** | **$'000** | **$'000** | **$'000** |
| Loans | | | | |
| – current | 19,237 | (13,296) | 3 | 5,944 |
| – non-current | 88,397 | (42,921) | 4 | 45,480 |
| Total | 107,634 | (56,217) | 7 | 51,424 |

## 27. NOTES PAYABLE

| | Group | | | Company | | |
|---|---|---|---|---|---|---|
| | **2018** | 31.12.2017 | 1.1.2017 | **2018** | 31.12.2017 | 1.1.2017 |
| | **$'000** | $'000 | $'000 | **$'000** | $'000 | $'000 |
| Current | | | | | | |
| – 4.6% notes due 1 April 2019 | **75,000** | – | – | **75,000** | – | – |
| | **75,000** | – | – | **75,000** | – | – |
| Non-current | | | | | | |
| – 4.0% notes due 16 January 2023 | **99,511** | – | – | **99,511** | – | – |
| – 4.6% notes due 1 April 2019 | **–** | 75,000 | 75,000 | **–** | 75,000 | 75,000 |
| | **99,511** | 75,000 | 75,000 | **99,511** | 75,000 | 75,000 |

The Company issued $75 million 4.6% Notes due 1 April 2019 under its $250 million Multicurrency Medium Term Note Programme on 1 April 2016. The notes bear interest at a fixed rate of 4.6% per annum and interest is payable semi-annually from the date of issue.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 27. NOTES PAYABLE (CONT'D)

On 17 January 2018, the Company also issues another $100 million 4.0% Notes due on 16 January 2023 under its $250 million Multicurrency Medium Term Note Programme on 1 April 2016. The notes bear interest at a fixed rate of 4.0% per annum and interest is payable semi-annually from the date of issue.

The notes are carried at amortised cost with the interest accreting to the amount payable at end of each period until it reaches the principal amount on maturity.

## 28. SHARE CAPITAL AND TREASURY SHARES

### *(a) Share capital*

| | Group and Company | | | |
|---|---|---|---|---|
| | **2018** | | 2017 (Restated) | |
| | **Number of shares** | **$'000** | Number of shares | $'000 |
| Issued and fully paid ordinary shares | | | | |
| At beginning and end of the year | **563,786,476** | **33,303** | 563,786,476 | 33,303 |

On 17 May 2018, the Company completed the share split of every one ordinary share in the capital of the Company into two ordinary shares. This resulted in an increase of ordinary shares from 281,893,238 to 563,786,476 shares.

The holders of ordinary shares (except treasury shares) are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions. The ordinary shares have no par value.

### *(b) Treasury shares*

| | Group and Company | | | |
|---|---|---|---|---|
| | **2018** | | 2017 | |
| | **Number of shares** | **$'000** | Number of shares | $'000 |
| At beginning of the year | **(915,908)** | **(460)** | (1,158,120) | (587) |
| Treasury shares transferred on vesting of restricted share grant | **406,532** | **213** | 242,212 | 127 |
| At end of the year | **(509,376)** | **(247)** | (915,908) | (460) |

Treasury shares relate to ordinary shares of the Company that is held by the Company.

The number of shares have been adjusted for the effect of the shares split during the year.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 28. SHARE CAPITAL AND TREASURY SHARES (CONT'D)

### *(b) Treasury shares (cont'd)*

The Company reissued 406,532 (2017: 242,212) treasury shares during the year pursuant to its restricted share grant at a weighted-average share price of approximately $0.52 (2017: $0.52) each.

## 29. OTHER RESERVES

| | Group | | | Company | | |
|---|---|---|---|---|---|---|
| | **2018** | 31.12.2017 | 1.1.2017 | **2018** | 31.12.2017 | 1.1.2017 |
| | **$'000** | $'000 | $'000 | **$'000** | $'000 | $'000 |
| Statutory reserve fund (a) | **2,954** | 2,954 | 2,954 | **–** | – | |
| Translation reserve (b) | **1,835** | 1,639 | 3,295 | **–** | – | |
| Share-based compensation reserve | **616** | 591 | 343 | **616** | 591 | 343 |
| Capital reserve (c) | **177** | 177 | 177 | **177** | 177 | 177 |
| Premium on acquisition of non-controlling interests (d) | **(1,106)** | (2,160) | (1,441) | **–** | – | – |
| Fair value adjustment reserve (e) | **–** | 15 | – | **–** | – | – |
| | **4,476** | 3,216 | 5,328 | **793** | 768 | 520 |

### *(a) Statutory reserve fund*

In accordance with the Foreign Enterprise Law applicable to subsidiaries in the People's Republic of China ("PRC"), the subsidiaries are required to make appropriation to a Statutory Reserve Fund ("SRF"). At least 10% of the statutory after tax profits as determined in accordance with the applicable PRC accounting standards and regulations must be allocated to the SRF until the cumulative total of the SRF reaches 50% of the subsidiaries' registered capital. Subject to the approval from the relevant PRC authorities, the SRF may be used to offset any accumulated losses or increase the registered capital of the subsidiaries. The SRF is not available for dividend distribution to shareholders.

### *(b) Translation reserve*

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

### *(c) Capital reserve*

Capital reserve mainly arises from the gain or loss arising from purchase, sale, issue or cancellation of treasury shares. No dividend may be paid and no other distribution (whether in cash or otherwise) of the Company's assets (including any distribution of assets to members on a winding up) may be made in respect of this reserve.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 29. ACCUMULATED PROFITS AND OTHER RESERVES (CONT'D)

### *(d) Premium on acquisition of non-controlling interests*

| | Group | | |
|---|---|---|---|
| | **2018** | 31.12.2017 | 1.1.2017 |
| | **$'000** | $'000 | $'000 |
| At 1 January | **2,160** | 1,441 | 1,552 |
| Changes in equity attributable to non-controlling interests (Note 14) | **(1,054)** | 719 | (111) |
| At 31 December | **1,106** | 2,160 | 1,441 |

### *(e) Fair value adjustment reserve*

Fair value adjustment reserve represents the cumulative fair value changes, net of tax, of available-for-sale financial assets until they are disposed of or impaired.

| | Group | | |
|---|---|---|---|
| | **2018** | 31.12.2017 | 1.1.2017 |
| | **$'000** | $'000 | $'000 |
| **Net (loss)/gain on available-for-sale financial assets:** | | | |
| Net (loss)/gain on fair value changes during the year | **(15)** | 15 | – |

## 30. COMMITMENTS AND CONTINGENCIES

### *(a) Commitments*

Expenditure contracted for as at the balance sheet date but not recognised in the financial statements is as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2018** | 2017 | **2018** | 2017 |
| | **$'000** | $'000 | **$'000** | $'000 |
| in respect of property, plant and equipment | **156** | 165 | **–** | – |
| in respect of investment in equity securities | **24,649** | – | **–** | – |

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 30. COMMITMENTS AND CONTINGENCIES (CONT'D)

### *(b) Operating lease commitments – as lessee*

The Group has various operating lease agreements for equipment, office, central kitchen, food court and retail outlet premises. These non-cancellable leases have remaining non-cancellable lease terms of between less than 1 year and 9 years. Most leases contain renewable options. Some of the leases contain escalation clauses and provide for contingent rentals based on percentages of sales derived from assets held under operating leases. Lease terms do not contain restrictions on the Group's activities concerning dividends, additional debt or further leasing.

Future minimum lease payments payable under non-cancellable operating leases as at 31 December are as follows:

| | Group | |
|---|---|---|
| | **2018** | 2017 |
| | **$'000** | $'000 |
| Not later than one year | **112,415** | 117,091 |
| Later than one year but not later than five years | **203,046** | 234,735 |
| Later than five years | **10,868** | 16,413 |
| | **326,329** | 368,239 |

### *(c) Operating lease commitments – as lessor*

The Group has entered into non-cancellable operating leases to sublease its food court and retail outlet premises. The Company has non-cancellable operating leases for its leasehold property. Future sublease rental receivable as at 31 December is as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2018** | 2017 | **2018** | 2017 |
| | **$'000** | $'000 | **$'000** | $'000 |
| Not later than one year | **58,048** | 61,722 | **4,892** | 6,036 |
| Later than one year but not later than five years | **44,250** | 46,203 | **5,204** | 6,406 |
| Over five years | **10,970** | 11,673 | **10,970** | 11,652 |
| | **113,268** | 119,598 | **21,066** | 24,094 |

### *(d) Corporate guarantees*

As at 31 December 2018, the Company has given corporate guarantees to financial institutions in connection with banking facilities provided to its subsidiaries of which $47,418,000 (2017: $82,344,000) of the banking facilities have been utilised as at year end.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 31. RELATED PARTY DISCLOSURES

### *(a) Sale and purchase of goods and services*

In addition to those related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and related parties took place during the year on terms agreed between the parties:

| | Group | |
|---|---|---|
| | **2018** | 2017 |
| | **$'000** | $'000 |
| **Income** | | |
| Management fee income from a joint venture | **722** | 627 |
| Sales of goods to a joint venture and an associate | **1,211** | 679 |
| Purchase of goods from a joint venture | **9,740** | 12,244 |
| **Expenses** | | |
| Rental expense to a joint venture | **108** | 98 |
| Royalty fees to non-controlling shareholders | **4,553** | 4,222 |
| Repair and maintenance fees to an associate | **629** | 439 |
| **Others** | | |
| Purchase of furniture and fittings from a company related to a director of the Company | **–** | 292 |
| Purchase of plant and equipment from an associate | **3,501** | 7,870 |

| | Company | |
|---|---|---|
| | **2018** | 2017 |
| | **$'000** | $'000 |
| **Income** | | |
| Management fee income from subsidiaries | **21,982** | 19,911 |
| Dividend income from subsidiaries | **16,300** | 24,056 |
| Training fee income from subsidiaries | **106** | 309 |
| Rental income from subsidiaries | **4,986** | 5,012 |
| **Expense** | | |
| Purchase of goods from subsidiaries | **314** | 216 |
| Interest expense payable to a subsidiary | **486** | 1,007 |

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 31. RELATED PARTY DISCLOSURES (CONT'D)

### *(b) Compensation of key management personnel*

| | Group | |
|---|---|---|
| | **2018** | 2017 |
| | **$'000** | $'000 |
| Salaries and bonus | **10,812** | 8,496 |
| Central Provident Fund contributions and other pension contributions | **340** | 367 |
| Share-based payment (RSG plan) | **221** | – |
| Directors' fees | **183** | 180 |
| Other personnel expenses | **443** | 1,263 |
| Total compensation paid to key management personnel | **11,999** | 10,306 |
| **Comprise amounts paid to:** | | |
| Directors of the Company | **2,803** | 1,331 |
| Directors of subsidiaries | **4,790** | 5,088 |
| Other key management personnel | **4,406** | 3,887 |
| | **11,999** | 10,306 |

## 32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group and the Company is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include interest rate risk, foreign currency risk, credit risk, liquidity risk and market price risk. The Audit Committee provides independent oversight to the effectiveness of the risk management process. It is, and has been throughout the current and previous financial year, the Group's policy that no trading in derivatives for speculative purposes shall be undertaken.

The following sections provide details regarding the Group's and Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risks.

The Group's and Company's principal financial instruments comprise bank loans and cash and short-term deposits. The main purpose of these financial instruments is to raise finance for the Group's and Company's operations. The Group and Company has various other financial assets and liabilities such as trade and other receivables, trade and other payables and related company balances, which arise directly from its operations.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

### *(a) Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates.

The Group's exposure to interest rates risk arises primarily from its investment portfolio in fixed deposits and its debt obligations. The Group does not use derivative financial instruments to hedge its investment portfolio. The Group obtains additional financing through bank borrowings. The Group's policy is to obtain the most favourable interest rates available without increasing its foreign exchange exposure.

Surplus funds are placed with reputable banks.

Sensitivity analysis for interest rate risk

| | Group | |
|---|---|---|
| | Effect on profit before tax | |
| | 100 basis points increase | 100 basis points decrease |
| | $'000 | $'000 |
| **2018** | | |
| – Singapore dollar interest rates | (711) | 711 |
| – Chinese Yuan interest rates | (2) | 2 |
| – Hong Kong dollar interest rates | (4) | 4 |
| – New Taiwan dollar interest rates | (53) | 53 |
| – Malaysia Ringgit interest rates | (1) | 1 |
| – Thailand Baht interest rates | (23) | 23 |

| | Group | |
|---|---|---|
| | Effect on profit before tax | |
| | 100 basis points increase | 100 basis points decrease |
| | $'000 | $'000 |
| **2017** | | |
| – Singapore dollar interest rates | (984) | 984 |
| – Chinese Yuan interest rates | (2) | 2 |
| – Hong Kong dollar interest rates | (8) | 8 |
| – New Taiwan dollar interest rates | (57) | 57 |
| – Malaysia Ringgit interest rates | (2) | 2 |
| – Thailand Baht interest rates | (19) | 19 |

## 32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

### *(b) Foreign currency risk*

The Group has transactional currency exposures arising from sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group entities, primarily SGD, Chinese Yuan (CNY) and Hong Kong Dollar (HKD). The foreign currencies in which these transactions are denominated are mainly United States dollars (USD), HKD, CNY and SGD.

The Group is also exposed to currency translation risk arising from its net investments in foreign operations, in Malaysia, the PRC, Hong Kong, Thailand and United Kingdom. The Group's net investments in these countries are not hedged as currency positions in Malaysia Ringgit, CNY, HKD, Thai Baht are considered to be long-term in nature.

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's profit before tax to a reasonably possible change in the USD, HKD, CNY and SGD exchange rates against the respective functional currencies of the Group entities, with all other variables held constant.

| | | Group<br>Effect on profit before tax | |
|---|---|---|---|
| | | **2018** | 2017 |
| | | **$'000** | $'000 |
| **Against SGD:** | | | |
| USD | – strengthened 5% (2017: 5%) | **22** | 1 |
| | – weakened 5% (2017: 5%) | **(22)** | (1) |
| CNY | – strengthened 5% (2017: 5%) | **432** | 432 |
| | – weakened 5% (2017: 5%) | **(432)** | (432) |
| **Against CNY:** | | | |
| SGD | – strengthened 5% (2017: 5%) | **(29)** | (29) |
| | – weakened 5% (2017: 5%) | **29** | 29 |
| HKD | – strengthened 5% (2017: 5%) | **(25)** | (33) |
| | – weakened 5% (2017: 5%) | **25** | 33 |
| **Against HKD** | | | |
| SGD | – strengthened 5% (2017: 5%) | **455** | (363) |
| | – weakened 5% (2017: 5%) | **(455)** | 363 |
| **Against Thailand Baht** | | | |
| SGD | – strengthened 5% (2017: 5%) | **(62)** | (177) |
| | – weakened 5% (2017: 5%) | **62** | 177 |
| **Against New Taiwan Dollar** | | | |
| SGD | – strengthened 5% (2017: 5%) | **(14)** | (3) |
| | – weakened 5% (2017: 5%) | **14** | 3 |

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

### *(c) Credit risk*

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including investment securities, cash and cash equivalents), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period.

The Group has determined the default event on a financial asset to be when the counterparty fails to make contractual payments, within 30 days to 365 days for trade receivables and other financial assets when they fall due, counterparty goes into bankruptcy or request for a discounted repayment scheme due to financial difficulties.

To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at reporting date with the risk of default as at the date of initial recognition. The Group considers available reasonable and supportive forward-looking information which includes the following indicators:

– Internal credit rating

– External credit rating

– Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations

– Actual or expected significant changes in the operating results of the borrower

– Significant increases in credit risk on other financial instruments of the same borrower

– Significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the group and changes in the operating results of the borrower.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making contractual payment.

The Group determined that its financial assets are credit-impaired when:

– There is significant difficulty of the issuer or the borrower

– A breach of contract, such as a default or past due event

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

### *(c) Credit risk (cont'd)*

– It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation

– There is a disappearance of an active market for that financial asset because of financial difficulty

The Group categorises a loan or receivable for potential write-off when a debtor fails to make contractual payments more than 120 days past due. Financial assets are written-off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. Where loans and receivables have been written-off, the company continues to engage enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

The following are credit risk management practices and quantitative and qualitative information about amounts arising from expected credit losses for each class of financial assets.

Trade receivables, other receivables and amount due from related corporations

The Group provides for lifetime expected credit losses for all trade receivables, other receivables and amount due from related corporations using a provision matrix. The provision rates are determined based on the Group's historical observed default rates analysed in accordance to days past due by grouping of customers based on geographical region. The loss allowance provision as at 31 December 2018 is determined as follows, the expected credit losses below also incorporate forward-looking information such as forecast of economic conditions where the gross domestic product will deteriorate over the next year, leading to an increased number of defaults.

Summarised below is the information about the credit risk exposure on the Group's trade receivables, other receivables and amount due from related corporations using provision matrix, grouped by geographical region:

**Singapore:**

| 31 December 2018 | Current<br>$'000 | More than 30 days past due<br>$'000 | More than 60 days past due<br>$'000 | More than 90 days past due<br>$'000 | Total<br>$'000 |
|---|---|---|---|---|---|
| Gross carrying amount | 25,675 | 601 | 474 | 858 | 27,608 |
| Loss allowance provision | (3) | (39) | (55) | (179) | (276) |
| | 25,672 | 561 | 419 | 679 | 27,332 |

**Other geographical areas:**

| 31 December 2018 | Current<br>$'000 | More than 30 days past due<br>$'000 | More than 60 days past due<br>$'000 | More than 90 days past due<br>$'000 | Total<br>$'000 |
|---|---|---|---|---|---|
| Gross carrying amount | 29,565 | 3,030 | 14 | 295 | 32,904 |
| Loss allowance provision | (3) | (46) | (66) | (213) | (328) |
| | 29,562 | 2,984 | (52) | 82 | 32,576 |

## 32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

### *(c) Credit risk (cont'd)*

Trade receivables, other receivables and amount due from related corporations (cont'd)

Information regarding loss allowance movement of trade receivables, other receivables and amount due from related corporations balances are disclosed in Note 18,19,20.

During the financial year, the Group wrote off $841,000 of trade receivables which are more than 120 days past due as the Group does not expect to receive future cash flows from and there are no recoveries from collection of cash flows previously written off.

Exposure to credit risk

At the balance sheet date, the Group's and the Company's maximum exposure to credit risk is represented by:

– the carrying amount of each class of financial assets recognised in the balance sheets; and

– an amount of $47,418,000 (2017: $82,344,000) relating to corporate guarantees provided by the Company to financial institutions on its subsidiaries' borrowings and other banking facilities.

Excessive risk concentration

Concentration arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry.

In order to avoid excessive concentration of risk, the Group's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the country profile of its trade receivables, other receivables and deposits on an on-going basis. The credit risk concentration profile of the Group's trade receivables, other receivables and deposits at the balance sheet date is as follows:

| | Group | | | | | |
|---|---|---|---|---|---|---|
| | **2018** | | 31.12.2017 | | 1.1.2017 | |
| | **$'000** | **% of total** | $'000 | % of total | $'000 | % of total |
| **By country:** | | | | | | |
| Singapore | **24,250** | **41%** | 20,930 | 39% | 20,164 | 38% |
| People's Republic of China | **15,512** | **27%** | 18,178 | 34% | 18,968 | 35% |
| Hong Kong | **5,749** | **10%** | 4,788 | 9% | 7,987 | 15% |
| Malaysia | **533** | **1%** | 1,175 | 2% | 506 | 1% |
| Indonesia | **1,373** | **2%** | 577 | 1% | 428 | 1% |
| Philippines | **1,058** | **2%** | 1,302 | 2% | 926 | 2% |
| Thailand | **3,025** | **5%** | 1,577 | 4% | 1,204 | 2% |
| Taiwan | **2,474** | **4%** | 3,141 | 6% | 2,774 | 5% |
| United Kingdom | **3,773** | **7%** | – | – | – | – |
| Others | **1,038** | **1%** | 1,391 | 3% | 505 | 1% |
| | **58,785** | **100%** | 53,059 | 100% | 53,462 | 100% |

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

### (c) *Credit risk (cont'd)*

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment record with the Group. Cash and cash equivalents are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Notes 18 and 19 above.

### (d) *Liquidity risk*

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

The Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the operations of the Group.

Short-term funding may be obtained from short-term loans where necessary.

The table below summarises the maturity profile of the Group's and the Company's financial assets and financial liabilities at the balance sheet date based on contractual undiscounted payments:

| | 2018 | | | |
|---|---|---|---|---|
| **Group** | **1 year or less $'000** | **1 to 5 years $'000** | **Over 5 years $'000** | **Total $'000** |
| **Financial assets:** | | | | |
| Investment securities | 22,907 | 54,945 | 18,348 | 96,200 |
| Trade and other receivables | 57,947 | 838 | – | 58,785 |
| Amounts due from related corporations | 1,124 | – | – | 1,124 |
| Amounts due from non-controlling shareholders of subsidiaries | 1,986 | – | – | 1,986 |
| Cash and cash equivalents | 184,975 | – | – | 184,975 |
| **Total undiscounted financial assets** | 268,939 | 55,783 | 18,348 | 343,070 |
| **Financial liabilities:** | | | | |
| Trade and other payables | 94,301 | – | – | 94,301 |
| Other liabilities | 51,990 | – | – | 51,990 |
| Amounts due to related corporations | 3,024 | – | – | 3,024 |
| Loans and borrowings | 23,189 | 29,647 | – | 52,836 |
| Notes payable | 80,725 | 118,000 | – | 198,725 |
| Loan from a non-controlling shareholder of a subsidiary [1] | 200 | – | – | 200 |
| **Total undiscounted financial liabilities** | 253,429 | 147,647 | – | 401,076 |
| **Total net undiscounted financial asset/(liabilities)** | 15,510 | (91,864) | 18,348 | (58,006) |

## 32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

### *(d) Liquidity risk (cont'd)*

| | 31.12.2017 | | | | 1.1.2017 | | | |
|---|---|---|---|---|---|---|---|---|
| **Group** | **1 year or less $'000** | **1 to 5 years $'000** | **Over 5 years $'000** | **Total $'000** | **1 year or less $'000** | **1 to 5 years $'000** | **Over 5 years $'000** | **Total $'000** |
| **Financial assets:** | | | | | | | | |
| Investment securities | 14,776 | 69,240 | 9,970 | 93,986 | 18,612 | 59,375 | 21,070 | 99,057 |
| Trade and other receivables | 51,952 | 1,107 | – | 53,059 | 57,472 | 1,413 | – | 58,885 |
| Amounts due from related corporations | 1,128 | – | – | 1,128 | 1,094 | – | – | 1,094 |
| Amounts due from non-controlling shareholders of subsidiaries | 525 | – | – | 525 | 509 | – | – | 509 |
| Cash and cash equivalents | 141,245 | – | – | 141,245 | 120,589 | – | – | 120,589 |
| Total undiscounted financial assets | 209,626 | 70,347 | 9,970 | 289,943 | 198,276 | 60,788 | 21,070 | 280,134 |
| **Financial liabilities:** | | | | | | | | |
| Trade and other payables | 87,566 | – | – | 87,566 | 84,410 | – | – | 84,410 |
| Other liabilities | 50,991 | – | – | 50,991 | 42,047 | – | – | 42,047 |
| Amounts due to related corporations | 3,881 | – | – | 3,881 | 3,903 | – | – | 3,903 |
| Loans and borrowings | 57,718 | 34,307 | 17,160 | 109,185 | 32,740 | 55,367 | 20,828 | 108,935 |
| Notes payable | 3,450 | 76,725 | – | 80,175 | 3,450 | 80,175 | – | 83,625 |
| Loan from a non-controlling shareholder of a subsidiary [(1)] | 200 | – | – | 200 | 200 | – | – | 200 |
| **Total undiscounted financial liabilities** | 203,806 | 111,032 | 17,160 | 331,998 | 166,750 | 135,542 | 20,828 | 323,120 |
| **Total net undiscounted financial asset/ (liabilities)** | 5,820 | (40,685) | (7,190) | (42,055) | 31,526 | (74,754) | 242 | (42,988) |

[(1)] The non-current loan from a non-controlling shareholder of a subsidiary is excluded as the loan has no fixed terms of repayment and is to be settled when the cash flow of the subsidiary permits.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

### *(d) Liquidity risk (cont'd)*

| | 2018 | | | |
|---|---|---|---|---|
| **Company** | **1 year or less $'000** | **1 to 5 years $'000** | **Over 5 years $'000** | **Total $'000** |
| **Financial assets:** | | | | |
| Trade and other receivables | 5,534 | – | – | 5,534 |
| Amounts due from related corporations | 169,312 | – | – | 169,312 |
| Cash and cash equivalents | 15,729 | – | – | 15,729 |
| **Total net undiscounted financial assets** | 190,575 | – | – | 190,575 |
| **Financial liabilities:** | | | | |
| Trade and other payables | 2,471 | – | – | 2,471 |
| Other liabilities | 7,609 | – | – | 7,609 |
| Amounts due to related corporations | 67,508 | – | – | 67,508 |
| Loans and borrowings | 3,432 | 16,421 | – | 19,853 |
| Note payables | 80,725 | 118,000 | – | 198,725 |
| **Total net undiscounted financial liabilities** | 161,745 | 134,421 | – | 296,166 |
| **Total net undiscounted financial assets/ (liabilities)** | 28,830 | (134,421) | – | (105,591) |

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

### *(d) Liquidity risk (cont'd)*

| | 31.12.2017 | | | | 1.1.2017 | | | |
|---|---|---|---|---|---|---|---|---|
| **Company** | **1 year or less $'000** | **1 to 5 years $'000** | **Over 5 years $'000** | **Total $'000** | **1 year or less $'000** | **1 to 5 years $'000** | **Over 5 years $'000** | **Total $'000** |
| **Financial assets:** | | | | | | | | |
| | – | – | – | – | – | 825 | – | 825 |
| Trade and other receivables | 2,417 | – | – | 2,417 | 4,269 | – | – | 4,269 |
| Amounts due from related corporations | 105,149 | – | – | 105,149 | 61,855 | – | – | 61,855 |
| Cash and cash equivalents | 1,278 | – | – | 1,278 | 8,488 | – | – | 8,488 |
| **Total net undiscounted financial assets** | 108,844 | – | – | 108,844 | 74,612 | 825 | – | 75,437 |
| **Financial liabilities:** | | | | | | | | |
| Trade and other payables | 1,818 | – | – | 1,818 | 1,832 | – | – | 1,832 |
| Other liabilities | 7,588 | – | – | 7,588 | 3,971 | – | – | 3,971 |
| Amounts due to related corporations | 58,648 | – | – | 58,648 | 31,114 | – | – | 31,114 |
| Loans and borrowings | 13,918 | 18,341 | 17,160 | 49,419 | 3,668 | 18,341 | 20,828 | 42,837 |
| Note payables | 3,450 | 76,725 | – | 80,175 | 3,450 | 80,175 | – | 83,625 |
| **Total net undiscounted financial liabilities** | 85,422 | 95,066 | 17,160 | 197,648 | 44,035 | 98,516 | 20,828 | 163,379 |
| **Total net undiscounted financial assets/ (liabilities)** | 23,422 | (95,066) | (17,160) | (88,804) | 30,577 | (97,691) | (20,828) | (87,942) |

## 32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

### *(d) Liquidity risk (cont'd)*

The table below shows the contractual expiry by maturity of the Company's contingent liabilities. The maximum amount of the financial guarantee contracts is allocated to the earliest period in which the guarantee could be called.

| Company | 1 year or less $'000 | 1 to 5 years $'000 | Total $'000 |
|---|---|---|---|
| **2018** | | | |
| Financial guarantees | 33,815 | 13,603 | 47,418 |
| **31.12.2017** | | | |
| Financial guarantees | 67,487 | 14,857 | 82,344 |
| **1.1.2017** | | | |
| Financial guarantees | 39,683 | 38,768 | 78,451 |

### *(e) Market price risk*

Market price risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market prices (other than interest or exchange rates). The Group is exposed to equity price risk arising from its investment in quoted equity instrument. This instrument is quoted on the SGX-ST in Singapore and is classified as FVPL financial asset. The Group does not have exposure to commodity price risk.

Sensitivity analysis for equity price risk

At the balance sheet date, if the share price had been 15% (2017: 15%) higher/lower with all other variables held constant, the effect on the Group's profit before tax would be $21,000 (2017: $30,000) higher/lower, arising as a result of an increase/decrease in the fair value of quoted equity instruments.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 33. FINANCIAL INSTRUMENTS

The carrying amount by category of financial assets and liabilities are as follows:

| | Group | | | |
|---|---|---|---|---|
| | **31.12.2018** | **1.1.2018** | 31.12.2017 | 1.1.2017 |
| | **$'000** | **$'000** | $'000 | $'000 |
| **Financial assets carried at:** | | | | |
| **Amortised cost** | | | | |
| Trade and other receivables | **58,785** | **53,059** | 53,059 | 53,462 |
| Amount due from related company | **1,124** | **1,128** | 1,128 | 1,094 |
| Amount due from NCI | **1,986** | **525** | 525 | 509 |
| Cash and cash equivalent | **184,975** | **141,245** | 141,245 | 120,589 |
| Total | **246,870** | **195,957** | 195,957 | 175,654 |
| **Available for sale** | | | | |
| Investment securities | **–** | **–** | 45,572 | 51,467 |
| Total | **–** | **–** | 45,572 | 51,467 |
| **Held to maturity** | | | | |
| Investment securities | **–** | **–** | 39,382 | 38,633 |
| Total | **–** | **–** | 39,382 | 38,633 |
| **Fair value through profit and loss** | | | | |
| Investment securities | **87,946** | **84,119** | – | – |
| | **87,946** | **84,119** | – | – |
| **Financial liabilities at:** | | | | |
| **Amortised cost** | | | | |
| Trade and other payables | **94,301** | **87,566** | 87,566 | 84,410 |
| Other liabilities | **51,990** | **50,991** | 50,991 | 42,047 |
| Due to related company | **3,024** | **3,881** | 3,881 | 3,903 |
| Loan from NCI | **735** | **708** | 708 | 749 |
| Short-term loans | **5,944** | **19,237** | 19,237 | 7,215 |
| Long-term loans | **45,480** | **88,397** | 88,397 | 99,095 |
| Notes payables | **174,511** | **75,000** | 75,000 | 75,000 |
| Total | **375,985** | **325,780** | 325,780 | 312,419 |

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 34. FAIR VALUE OF ASSETS AND LIABILITIES

Fair value hierarchy

The Group categories fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

– Level 1 – Quoted prices (unadjusted) in active market for identical assets or liabilities that the Group can access at the measurement date,

– Level 2 – Inputs other that quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and

– Level 3 – Unobservable inputs for the asset or liability.

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

### *(a) Assets and liabilities measured at fair value*

The following table shows an analysis of each class of assets and liabilities measured at fair value by level at the end of the reporting period:

| | Group 2018 $'000 Fair value measurements at the end of the reporting period using | | | |
|---|---|---|---|---|
| | Quoted prices in active markets for identical instruments (Level 1) | Significant unobservable inputs other than quoted prices (Level 2) | Significant unobservable inputs (Level 3) | Total |
| **Assets measured at fair value** | | | | |
| **Financial assets:** | | | | |
| Investment securities at fair value through profit or loss | | | | |
| Quoted equity instruments | 142 | – | – | 142 |
| Unquoted equity instruments | – | – | 58,703 | 58,703 |
| Unquoted debt instruments | – | – | 24,304 | 24,304 |
| Structured investment | – | 4,797 | – | 4,797 |
| **Financial assets as at 31 December 2018** | 142 | 4,797 | 83,007 | 87,946 |
| **Non-financial assets:** | | | | |
| Investment properties | – | – | 39,748 | 39,748 |

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 34. FAIR VALUE OF ASSETS AND LIABILITIES (CONT'D)

### *(a) Assets and liabilities measured at fair value (cont'd)*

| | Group 31.12.2017 $'000 Fair value measurements at the end of the reporting period using | | | |
|---|---|---|---|---|
| | Quoted prices in active markets for identical instruments (Level 1) | Significant unobservable inputs other than quoted prices (Level 2) | Significant unobservable inputs (Level 3) | Total |
| **Assets measured at fair value** | | | | |
| **Financial assets:** | | | | |
| Available-for-sale financial assets | | | | |
| Quoted equity instruments | 200 | – | – | 200 |
| **Financial assets as at 31 December 2017** | 200 | – | – | 200 |
| **Non-financial assets:** | | | | |
| Investment properties | – | – | 39,463 | 39,463 |
| **Financial assets as at 31 December 2017** | – | – | 39,463 | 39,463 |

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 34. FAIR VALUE OF ASSETS AND LIABILITIES (CONT'D)

### *(a) Assets and liabilities measured at fair value (cont'd)*

| | Group 1.1.2017 $'000 Fair value measurements at the end of the reporting period using | | | |
|---|---|---|---|---|
| | **Quoted prices in active markets for identical instruments (Level 1)** | **Significant unobservable inputs other than quoted prices (Level 2)** | **Significant unobservable inputs (Level 3)** | **Total** |
| **Assets measured at fair value** | | | | |
| **Financial assets:** | | | | |
| Available-for-sale financial assets | | | | |
| Quoted equity instruments | 1,010 | – | – | 1,010 |
| **Financial assets as at 1 January 2017** | 1,010 | – | – | 1,010 |
| **Non-financial assets:** | | | | |
| Investment properties | – | – | 22,984 | 22,984 |
| **Financial assets as at 1 January 2017** | – | – | 22,984 | 22,984 |

Level 1 fair value

Equity instruments (quoted) (Note 13): Fair value is determined by direct reference to their bid price quotations in an active market at the end of the reporting period.

Level 2 fair value measurement

The following is a description of the valuation techniques and inputs used in the fair value measurement for assets and liabilities that are categorised within level 2 of the fair value hierarchy:

*Structured investment*

The structured product is an autocallable investment where the fair value is derived using the foreign exchange rate of Chinese Yuan for every Singapore Dollar at valuation date.

A significantly weaker Chinese Yuan for every Singapore Dollar would significantly decrease the fair value measurement.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 34. FAIR VALUE OF ASSETS AND LIABILITIES (CONT'D)

### *(a) Assets and liabilities measured at fair value (cont'd)*

Level 3 fair value measurements

(i) *Information about significant unobservable inputs used in Level 3 fair value measurements*

The following table shows the information about fair value measurement using significant unobservable inputs (Level 3)

| Description | Fair value as at 31.12.2018 | Valuation techniques | Unobservable inputs | Range |
|---|---|---|---|---|
| **Recurring fair value measurements** | | | | |
| **At FVPL** | | | | |
| *Unquoted equity instruments* | 58,703 | Discounted cash flow and asset-based valuation | Rental rates | • RMB 150 to RMB 965 per square metre<br>• $8.50 to $0.60 per square foot |
| | | | Expected sales proceeds | RMB 43,000 per square foot |
| | | | Discount to reflect minority stake in investment | 10% |
| | | | Weighted average cost of capital | 10% |
| | | | Capitalisation rate | 3.9% to 4.75% |
| *Unquoted debt instruments* | 24,304 | Discounted cash flow | Weighted average cost of capital | 9.08% to 10.91% |
| | | | Interest to be received | $664,000 per annum to $790,000 per annum |
| Investment properties | 39,748 | Direct comparison approach | Transacted price of comparable properties | • RMB 54,000 to RMB 55,000 per square metre<br>• $201 to $451 per square metre |

| Description | Fair value as at 31.12.2017 | Valuation techniques | Unobservable inputs | Range |
|---|---|---|---|---|
| **Recurring fair value measurements** | | | | |
| **At FVPL** | | | | |
| Investment properties | 39,463 | Direct comparison approach | Transacted price of comparable properties | • RMB 55,000 to RMB 63,000 per square metre |
| Investment properties | 22,984 | Direct comparison approach | Transacted price of comparable properties | • RMB 50,000 to RMB 54,000 per square metre |

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 34. FAIR VALUE OF ASSETS AND LIABILITIES (CONT'D)

### *(a) Assets and liabilities measured at fair value (cont'd)*

(i) *Information about significant unobservable inputs used in Level 3 fair value measurements (cont'd)*

Impact of a change in the inputs to the fair value

For unquoted equity securities, a significant increase (decrease) in the expected weighted average cost of capital would result in a significantly lower (higher) fair value measurement. A significant increase (decrease) in rental rates, expected sales proceeds, discount to reflect the minority stake in the investment and capitalised rate would result in a significantly lower (higher) fair value measurement.

For unquoted debt securities, a significant increase (decrease) in the expected weighted average cost of capital would result in a significantly lower (higher) fair value measurement. A significant increase (decrease) in the interest to be received would result in a significantly higher (lower) fair value measurement.

For investment properties, a significant increase (decrease) in the transacted price of comparable properties would result in a significantly higher (lower) fair value measurement.

(ii) *Movements in Level 3 assets measured at fair value*

| | Group<br>Fair value measurement using significant unobservable inputs<br>(Level 3) | | |
|---|---|---|---|
| | **2018** | 31.12.2017 | 1.1.2017 |
| | **$'000** | $'000 | $'000 |
| **Investment properties:** | | | |
| Opening balance | **39,463** | 22,984 | 24,053 |
| Additions | **–** | 16,681 | – |
| Total gains or losses for the period | | | |
| – included in other income under gain from fair adjustment of investment properties (Note 4) | **1,081** | 118 | 2 |
| Exchange differences | **(796)** | (320) | (1,071) |
| Closing balance | **39,748** | 39,463 | 22,984 |

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 34. FAIR VALUE OF ASSETS AND LIABILITIES (CONT'D)

### *(a) Assets and liabilities measured at fair value (cont'd)*

Level 3 fair value measurements

(ii) *Movements in Level 3 assets measured at fair value (cont'd)*

| | Group<br>Fair value measurement using significant Unobservable inputs<br>(Level 3)<br>2018<br>$'000 |
|---|---|
| **Investment securities:** | |
| Opening balance | 71,868 |
| SFRS(1) 9 adjustment | (452) |
| Opening balance (restated) | 71,416 |
| Additions | 9,427 |
| Total gains or losses for the period | |
| – included in other income under net gain from fair value adjustment of investment securities (Note 4) | 2,164 |
| | 83,007 |

(iii) *Valuation policies and procedures*

The Group Chief Financial Officer (CFO), who is assisted by the Group Financial Controller (collectively referred to as the "CFO office") oversees the Group's financial reporting valuation process and is responsible for setting and documenting the Group's valuation policies and procedures. In this regard, the CFO office reports to the Group's Audit Committee.

For all significant financial reporting valuations using valuation models and significant unobservable inputs, it is the Group's policy to obtain valuation report from the investee engage external valuation experts who possess the relevant credentials and knowledge on the subject of valuation, valuation methodologies and SFRS(I)13 fair value measurement guidance to perform the valuation.

For valuations performed by external valuation experts, the appropriateness of the valuation methodologies and assumptions adopted are reviewed along with the appropriateness and reliability of the inputs (including those developed internally by the Group) used in the valuations.

In selecting the appropriate valuation models and inputs to be adopted for each valuation that uses significant non-observable inputs, external valuation experts are requested to calibrate the valuation models and inputs to actual market transactions (which may include transactions entered into by the Group with third parties as appropriate) that are relevant to the valuation if such information are reasonably available. For valuations that are sensitive to the unobservable inputs used, external valuation experts are required, to the extent practicable to use a minimum of two valuation approaches to allow for cross-checks.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 34. FAIR VALUE OF ASSETS AND LIABILITIES (CONT'D)

### *(a) Assets and liabilities measured at fair value (cont'd)*

Level 3 fair value measurements (cont'd)

(iii) *Valuation policies and procedures (cont'd)*

Significant changes in fair value measurements from period to period are evaluated for reasonableness. Key drivers of the changes are identified and assessed for reasonableness against relevant information from independent sources, or internal sources if necessary and appropriate.

The CFO office documents and reports its analysis and results of the valuations to the Audit Committee annually. The Audit Committee performs a high-level independent review of the valuation process and results and recommends if any revisions need to be made before presenting the results to the Board of Directors for approval.

### *(b) Assets and liabilities not carried at fair value but for which fair value is disclosed*

The following table shows an analysis of the Group's assets and liabilities not measured at fair value at 31 December 2018 but for which fair value is disclosed:

| | Group 2018 $'000 | | | |
|---|---|---|---|---|
| | Significant unobservable inputs other than quoted prices (Level 2) | Significant unobservable inputs (Level 3) | Fair value | Carrying amount |
| **Assets** | | | | |
| Other receivables (non-current) | – | 750 | 750 | 838 |
| As at 31 December | – | 750 | 750 | 838 |
| **Liabilities** | | | | |
| Loan from a non-controlling shareholder of a subsidiary (non-current) | – | 480 | 480 | 535 |
| As at 31 December | – | 480 | 480 | 535 |

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 34. FAIR VALUE OF ASSETS AND LIABILITIES (CONT'D)

### *(b) Assets and liabilities not carried at fair value but for which fair value is disclosed (cont'd)*

| | Group 31.12.2017 $'000 | | | |
|---|---|---|---|---|
| | Significant unobservable inputs other than quoted prices (Level 2) | Significant unobservable inputs (Level 3) | Fair value | Carrying amount |
| **Assets** | | | | |
| Equity instruments (unquoted), at cost | – | * | * | 45,372 |
| Debt instruments | – | 22,561 | 22,561 | 26,496 |
| Structured products | 12,503 | – | 12,503 | 12,886 |
| Other receivables (non-current) | – | 915 | 915 | 1,107 |
| As at 31 December | 12,503 | 23,476 | 35,979 | 85,861 |
| **Liabilities** | | | | |
| Loan from non-controlling shareholder of a subsidiary (non-current) | – | 420 | 420 | 508 |
| As at 31 December | – | 420 | 420 | 508 |

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 34. FAIR VALUE OF ASSETS AND LIABILITIES (CONT'D)

### *(b) Assets and liabilities not carried at fair value but for which fair value is disclosed (cont'd)*

| | Group 1.1.2017 $'000 | | | |
|---|---|---|---|---|
| | Significant unobservable inputs other than quoted prices (Level 2) | Significant unobservable inputs (Level 3) | Fair value | Carrying amount |
| **Assets** | | | | |
| Equity instruments (unquoted), at cost | – | * | * | 50,457 |
| Debt instruments | – | 32,997 | 32,997 | 38,633 |
| Other receivables (non-current) | – | 1,197 | 197 | 1,413 |
| As at 1 January | – | 34,194 | 33,194 | 90,503 |
| **Liabilities** | | | | |
| Loan from a non-controlling shareholder of a subsidiary (non-current) | – | 465 | 465 | 549 |
| As at 1 January | – | 465 | 465 | 549 |

Determination of fair value

*Current investment in debt instruments, other receivables (non-current), loan to subsidiary, current loan from non-controlling shareholder of a subsidiary*

Fair value is estimated by discounting expected future cash flows at market incremental lending rate for similar types of borrowing or leasing arrangements at the balance sheet date.

*Investment in equity instruments (unquoted) at cost

In 2017, fair value information has not been disclosed for the Group's investments in equity instruments that are carried at cost. These equity instruments represent ordinary shares in companies that are not quoted on any market. Except as disclosed elsewhere in the financial statements, the Group does not intend to dispose of these investments in the foreseeable future.

## 35. CAPITAL MANAGEMENT

Capital includes debt and equity items as disclosed in the table below.

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in the light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the year ended 31 December 2018 and 2017.

As disclosed in Note 29, subsidiaries of the Group operating in the PRC are required by the Foreign Enterprise Law of the PRC to contribute to and maintain a non-distributable statutory reserve fund whose utilisation is subject to approval by the relevant PRC authorities. This externally imposed capital requirement has been complied with by the respective subsidiaries for the financial year ended 31 December 2018 and 2017.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt, loans and borrowings, note payables, trade and other payables, amounts due to related corporations, less cash and short-term deposits. Capital includes equity attributable to the owners of the Company less the fair value adjustment reserve and restricted statutory reserve fund.

| | Group | |
|---|---|---|
| | **2018** | 2017 |
| | **$'000** | $'000 |
| Loans and borrowings[1] | **52,159** | 108,342 |
| Notes payable | **174,511** | 75,000 |
| Trade and other payables | **97,524** | 90,326 |
| Amounts due to related corporations | **3,024** | 3,881 |
| Less: Cash and cash equivalents | **(184,975)** | (141,245) |
| Net debt | **142,243** | 136,304 |
| Equity attributable to the owners of the Company | **133,660** | 129,401 |
| Less: – Statutory reserve fund | **(2,954)** | (2,954) |
| Total capital | **130,706** | 126,447 |
| Capital and net debt | **272,949** | 262,751 |
| Gearing ratio | **52%** | 52% |

[1] including bank loans and loans from non-controlling shareholders of subsidiaries

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 36. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services, and has four reportable operating segments as follows:

(a) The bakery segment is in the business of manufacturing and retailing of all kinds of food, bakery and confectionary products including franchising.

(b) The food court segment is involved in the management and operation of food courts and food and drinks outlets.

(c) The restaurant segment is in the business of operating food and drinks outlets, eating houses and restaurants.

(d) The 4orth segment is involved in incubating new food and beverage (F&B) business concepts as well as entering into joint ventures or other forms of collaborations with potential F&B partners with whom the Group will take this F&B business to the regional level.

Except as indicated above, no operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss.

Transactions between operating segments are generally based on terms determined on commercial basis.

## 36. SEGMENT INFORMATION (CONT'D)

| 2018 | Bakery [1] $'000 | Food Atrium $'000 | Restaurant $'000 | 4orth $'000 | Real Estate Investment $'000 | Others [2] $'000 | Elimination $'000 | Group $'000 |
|---|---|---|---|---|---|---|---|---|
| **Revenue** | | | | | | | | |
| External sales | 282,004 | 156,895 | 152,316 | 14,173 | – | 4,408 | – | 609,796 |
| Inter-segment sales (Note A) | 1,606 | 3,320 | – | 15 | – | 2,960 | (7,901) | – |
| Total revenue | 283,610 | 160,215 | 152,316 | 14,188 | – | 7,368 | (7,901) | 609,796 |
| **Results** | | | | | | | | |
| Profit/(loss) from operations | 6,487 | 16,577 | 22,231 | (3,724) | 6,551 | (8,930) | (202) | 38,990 |
| Interest income | 357 | 190 | 1,168 | 42 | 1,806 | 2,237 | (2,642) | 3,158 |
| Interest expense | (685) | (278) | (105) | (198) | (6,483) | (4,089) | 2,632 | (9,206) |
| Share of associates' results | (48) | – | – | – | – | (1,117) | – | (1,165) |
| Share of joint ventures' results | (911) | 277 | – | – | – | – | – | (634) |
| Segment profit/(loss) | 5,200 | 16,766 | 23,294 | (3,880) | 1,874 | (11,899) | (212) | 31,143 |
| Tax expense | | | | | | | | (11,425) |
| **Profit for the year** | | | | | | | | 19,718 |
| **Assets and liabilities** | | | | | | | | |
| Segment assets (Note A) | 157,501 | 133,904 | 113,100 | 82,531 | 190,039 | 207,920 | (278,791) | 606,204 |
| Tax recoverable | | | | | | | | 315 |
| Deferred tax assets | | | | | | | | 2,340 |
| Total assets | | | | | | | | 608,859 |
| Segment liabilities | 141,695 | 128,826 | 48,165 | 59,119 | 124,014 | 216,851 | (289,386) | 429,284 |
| Tax payable | | | | | | | | 12,186 |
| Deferred tax liabilities | | | | | | | | 4,653 |
| Total liabilities | | | | | | | | 446,123 |
| **Other information** | | | | | | | | |
| Investment in associates | – | – | – | – | – | 26,226 | – | 26,226 |
| Investment in joint ventures | 8,225 | 459 | – | – | – | – | – | 8,684 |
| Additions to non-current assets (Note B) | 17,084 | 5,874 | 11,225 | 3,458 | 160 | 10,386 | – | 48,187 |
| Depreciation and amortisation | 16,027 | 14,630 | 5,918 | 830 | 1,823 | 1,954 | – | 41,182 |
| Other non-cash (income)/expenses (Note C) | 321 | 1,522 | (5) | 27 | 38 | 238 | – | 2,141 |

## 36. SEGMENT INFORMATION (CONT'D)

| 31.12.2017 | Bakery [1] $'000 | Food Atrium $'000 | Restaurant $'000 | 4orth $'000 | Real Estate Investment $'000 | Others [2] $'000 | Elimination $'000 | Group $'000 |
|---|---|---|---|---|---|---|---|---|
| **Revenue** | | | | | | | | |
| External sales | 297,020 | 149,346 | 140,732 | 7,859 | – | 4,622 | – | 599,579 |
| Inter-segment sales (Note A) | 369 | 3,143 | – | – | – | – | (3,512) | – |
| Total revenue | 297,389 | 152,489 | 140,732 | 7,859 | – | 4,622 | (3,512) | 599,579 |
| **Results** | | | | | | | | |
| Profit/(loss) from operations | 9,463 | 8,897 | 24,434 | (332) | 12,658 | (11,141) | (211) | 43,768 |
| Interest income | 51 | 307 | 1,243 | 3 | 1,428 | 2,156 | (2,954) | 2,234 |
| Interest expense | (785) | (418) | (2) | (22) | (4,793) | (2,382) | 2,982 | (5,420) |
| Share of associates' results | – | – | – | – | – | (883) | – | (883) |
| Share of joint ventures' results | 873 | 224 | – | – | – | – | – | 1,097 |
| Segment profit/(loss) | 9,602 | 9,010 | 25,675 | (351) | 9,293 | (12,250) | (183) | 40,796 |
| Tax expense | | | | | | | | (11,047) |
| **Profit for the year** | | | | | | | | 29,749 |
| **Assets and liabilities** | | | | | | | | |
| Segment assets (Note A) | 167,509 | 134,912 | 115,226 | 27,804 | 106,310 | 154,603 | (157,310) | 549,054 |
| Deferred tax assets | | | | | | | | 2,559 |
| Total assets | | | | | | | | 551,613 |
| Segment liabilities | 133,635 | 133,927 | 26,564 | 29,380 | 25,127 | 172,407 | (139,543) | 381,497 |
| Tax payable | | | | | | | | 10,660 |
| Deferred tax liabilities | | | | | | | | 4,576 |
| Total liabilities | | | | | | | | 396,733 |
| **Other information** | | | | | | | | |
| Investment in associates | 40 | – | – | – | – | 26,642 | – | 26,682 |
| Investment in joint ventures | 9,138 | 902 | – | – | – | – | – | 10,040 |
| Additions to non-current assets (Note B) | 7,025 | 11,821 | 7,841 | 231 | – | 5,823 | – | 32,741 |
| Depreciation and amortisation | 13,560 | 16,205 | 5,699 | 865 | 1,959 | 2,194 | – | 40,482 |
| Other non-cash (income)/expenses (Note C) | 2,138 | 1,013 | 134 | 321 | – | 375 | – | 3,981 |

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 36. SEGMENT INFORMATION (CONT'D)

| 1.1.2017 | Bakery [1] $'000 | Food Atrium $'000 | Restaurant $'000 | 4orth $'000 | Real Estate Investment $'000 | Others [2] $'000 | Elimination $'000 | Group $'000 |
|---|---|---|---|---|---|---|---|---|
| **Assets and liabilities** | | | | | | | | |
| Segment assets (Note A) | 152,400 | 130,726 | 105,956 | 4,365 | 184,139 | 105,209 | (157,064) | 525,731 |
| Deferred tax assets | | | | | | | | 2,749 |
| Total assets | | | | | | | | 528,480 |
| Segment liabilities | 115,790 | 134,676 | 26,483 | 16,636 | 156,230 | 79,582 | (161,617) | 367,780 |
| Tax payable | | | | | | | | 9,854 |
| Deferred tax liabilities | | | | | | | | 4,324 |
| Total liabilities | | | | | | | | 381,958 |

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 36. SEGMENT INFORMATION (CONT'D)

**Notes:**

(A) Inter-segment sales, assets and liabilities are eliminated on consolidation.

(B) Additions to non-current assets consist of additions to property, plant and equipment, investment property and intangible assets.

(C) Other non-cash (income)/expenses consist of:

- impairment/(write-back of impairment) of property, plant and equipment, intangible assets, investment in associate, receivables, amount due from associates and joint ventures, and provision for reinstatement cost;
- write-off of property, plant and equipment, bad debts and inventories;
- (gain)/loss on disposals of property, plant and equipment and intangible assets;
- share based payment expenses; and
- unrealised foreign exchange (gain)/loss.

***Geographical information***

Revenue and non-current assets information based on the geographical location of customers and assets respectively are as follows:

| | External sales | | Non-current assets [3] | | |
|---|---|---|---|---|---|
| | **2018** | 2017 | **2018** | 31.12.2017 | 1.1.2017 |
| | **$'000** | $'000 | **$'000** | $'000 | |
| Singapore | **352,643** | 340,144 | **141,475** | 143,559 | 126,153 |
| Mainland China | **160,406** | 152,405 | **54,041** | 55,687 | 57,996 |
| Hong Kong | **50,980** | 53,908 | **8,582** | 8,731 | 12,686 |
| Rest of the world | **45,767** | 53,122 | **15,134** | 6,672 | 13,245 |
| Total | **609,796** | 599,579 | **219,232** | 214,649 | 210,080 |

[1] Bakery operations comprise operation of bakery retail outlets as well as that operated through franchising.
[2] The business segment "Others" comprises the corporate services, treasury functions, investment holding activities and associated company.
[3] Non-current assets information presented above consist of property, plant and equipment, investment properties and intangible assets.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 37. DIVIDENDS

| | Group and Company | |
|---|---|---|
| | **2018** | 2017 |
| | **$'000** | $'000 |
| **Dividends paid during the year:** | | |
| *Dividends on ordinary shares* | | |
| • Final exempt (one-tier) ordinary dividend for 2017 of 1.0 cent per share (2017: dividend for 2016 of 1.0 cent per share) | **5,627** | 5,627 |
| • Interim exempt (one-tier) dividend for 2018 of 0.5 cent per share (2017: 1.0 cent per share) | **2,823** | 5,627 |
| • Special (one-tier) dividend for 2017 of 0.5 cent per share (2017: special dividend for 2017 of 1.0 cent per share) | **2,814** | 5,627 |
| | **11,264** | 16,881 |
| **Proposed but not recognised as a liability as at 31 December:** | | |
| *Dividends on ordinary shares, subject to shareholders' approval at the Annual General Meeting:* | | |
| • Final exempt (one-tier) ordinary dividend for 2018 of 1.0 cent per share (2017: 1.0 cent per share) | **5,646** | 5,627 |
| • Special (one-tier) dividend for 2017 of 0.5 cent per share | **–** | 2,814 |
| | **5,646** | 8,441 |

The dividend per share takes into account the effect of the shares split during the year.

## 38. EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

Disposal of investment in associate

On 2 January 2019, a wholly owned subsidiary, Star Food Pte Ltd entered into a sales and purchase agreement with CKE Asia Holdco (Cayman) Ltd for the disposal of the entire interest in Carl Karcher Enterprises (Cayman) Ltd ("CKE"), for a consideration of US$500,000. On completion of the transaction, the Group will have no more interest in CKE.

Acquisition of non-controlling interests in subsidiary

On 2 January 2019, a wholly owned indirect subsidiary, Megabite Hong Kong Limited entered into a sales and purchase agreement with Wingain Global Limited for the acquisition of the remaining 25% interest in Food Republic Guangzhou F&B Management Co., Ltd, for a consideration of S$150,000. On completion of the transaction, Food Republic Guangzhou F&B Management Co., Ltd will become a fully owned subsidiary of Megabite Hong Kong Limited.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 38. EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE (CONT'D)

Acquisition of 50% stakes in a joint venture

On 1 January 2019, a wholly owned indirect subsidiary, BreadTalk Corporation (Thailand) Co., Ltd entered into a sales and purchase agreement with The Minor Food Group Plc. for the acquisition of remaining 50% interest in BTM (Thailand) Ltd, for a consideration of THB 160,000,000. On completion of the transaction, BTM (Thailand) Ltd will become a fully owned subsidiary of BreadTalk Corporation (Thailand) Co., Ltd.

## 39. AUTHORISATION OF FINANCIAL STATEMENTS

The financial statements for the year ended 31 December 2018 were authorised for issue in accordance with a resolution of the directors on 15 March 2019.

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# APPENDIX V
# UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2019

## BREADTALK GROUP LIMITED

Financial Statements and Dividend Announcement
For The Fourth Quarter and Year Ended 31 December 2019

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**BREADTALK GROUP LIMITED**
Financial Statements and Dividend Announcement
For The Fourth Quarter and Year Ended 31 December 2019

**PART I INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS**

**1(a)(i) An income statement and statement of comprehensive income, or a statement of comprehensive income, for the group, together with a comparative statement for the corresponding period of the immediately preceding financial year**

The Board of Directors of BreadTalk Group Limited is pleased to announce the consolidated results of the Group for the fourth quarter and year ended 31 December 2019. The figures presented below have not been audited.

| | Group | | | Group | | |
|---|---|---|---|---|---|---|
| | 4Q 2019 | 4Q 2018 | Change | 12M 2019 | 12M 2018 | Change |
| | $'000 | $'000 | % | $'000 | $'000 | % |
| Revenue | 170,371 | 154,773 | 10.1 | 664,930 | 609,796 | 9.0 |
| Cost of sales | (132,163) | (67,124) | 96.9 | (295,427) | (266,650) | 10.8 |
| Gross profit | 38,208 | 87,649 | (56.4) | 369,503 | 343,146 | 7.7 |
| Other income | 18,103 | 6,561 | 175.9 | 44,118 | 31,185 | 41.5 |
| Interest income | 401 | 639 | (37.2) | 1,723 | 3,158 | (45.4) |
| Distribution and selling expenses | (27,811) | (59,843) | (53.5) | (280,197) | (243,264) | 15.2 |
| Administrative expenses | (30,352) | (20,680) | 46.8 | (105,248) | (92,077) | 14.3 |
| Interest expense | | | | | | |
| *borrowings* | (2,406) | (2,318) | 3.8 | (8,782) | (9,206) | (4.6) |
| *leases (Note 1)* | (1,689) | - | N.M. | (13,288) | - | N.M. |
| Profit before tax and share of results of associate and joint ventures | (5,546) | 12,008 | N.M. | 7,829 | 32,942 | (76.2) |
| Share of results of associates | (135) | (418) | (67.7) | 14 | (1,165) | N.M. |
| Share of results of joint ventures | (506) | (533) | (5.1) | (727) | (634) | 14.7 |
| (Loss)/profit before tax | (6,187) | 11,057 | N.M. | 7,116 | 31,143 | (77.2) |
| Taxation | (2,933) | (3,244) | (9.6) | (10,981) | (11,425) | (3.9) |
| (Loss)/profit after tax | (9,120) | 7,813 | N.M. | (3,865) | 19,718 | N.M. |
| Attributable to: | | | | | | |
| **Shareholders of the Company** | **(8,098)** | **8,880** | N.M. | **(5,245)** | **15,191** | N.M. |
| Non-controlling interests | (1,022) | (1,067) | (4.2) | 1,380 | 4,527 | (69.5) |
| | (9,120) | 7,813 | N.M. | (3,865) | 19,718 | N.M. |
| **Other comprehensive income:** | | | | | | |
| Net gain on revaluation of leasehold land and property | 44,140 | - | N.M. | 44,140 | - | |
| Net gain on investment securities | - | (9) | N.M. | - | (15) | N.M. |
| Foreign currency translation | (195) | 405 | N.M. | (1,336) | 196 | N.M. |
| Other comprehensive (loss) income for the period, net of tax | 43,945 | 396 | N.M. | 42,804 | 181 | N.M. |
| Total comprehensive income for the period | 34,825 | 8,209 | 324.2 | 38,939 | 19,899 | 95.7 |
| Attributable to: | | | | | | |
| **Shareholders of the Company** | **35,847** | **9,276** | **286.5** | **37,559** | **15,372** | **144.3** |
| Non-controlling interests | (1,022) | (1,067) | (4.2) | 1,380 | 4,527 | (69.5) |
| | 34,825 | 8,209 | 324.2 | 38,939 | 19,899 | 95.7 |

*N.M. – Not meaningful*

**BREADTALK GROUP LIMITED**
Financial Statements and Dividend Announcement
For The Fourth Quarter and Year Ended 31 December 2019

**1(a)(ii) Breakdown and Explanatory Notes to the income statement**

| | Group | | | Group | | |
|---|---|---|---|---|---|---|
| | 4Q 2019 | 4Q 2018 | Change | 12M 2019 | 12M 2018 | Change |
| | $'000 | $'000 | % | $'000 | $'000 | % |
| Depreciation and amortisation | | | | | | |
| - property, plant and equipment | 11,698 | 12,263 | (4.6) | 39,714 | 41,182 | (3.6) |
| - right-of-use assets (Note 1) | 42,943 | - | N.M. | 140,987 | - | N.M. |
| Foreign exchange (gain)/loss, net | 87 | (713) | N.M. | (761) | (389) | 95.6 |
| Loss/(gain) on disposal of property, plant and equipment | 32 | (18) | N.M. | 88 | (67) | N.M. |
| (Gain)/loss on divestment of investment securities | - | 213 | N.M. | (8) | 1,683 | N.M. |
| Government grant | (90) | (30) | 200.0 | (1,452) | (1,156) | 25.6 |
| Fair value gain on investment securities | (6,445) | (1,597) | 303.6 | (6,445) | (1,918) | 236.0 |
| Impairment/(Write back) of loan and receivables | | | | | | |
| - trade receivables | 897 | 33 | N.M. | 889 | (178) | N.M. |
| - other receivables | (67) | (55) | 21.8 | - | 138 | N.M. |
| Operating lease expenses | 15,949 | 21,942 | (27.3) | 27,493 | 137,949 | (80.1) |
| Personnel expenses | 56,198 | 51,508 | 9.1 | 213,538 | 191,778 | 11.3 |
| Property, plant and equipment written off (Note 2) | 4,048 | (501) | N.M. | 4,566 | 1,536 | 197.3 |

*N.M. – Not meaningful*

**Notes:**
(1) With effect from the financial year beginning 1 January 2019, the Group has adopted the new SFRS(I) 16 *Leases*. The detailed impact from the adoption is detailed in paragraph 5, page 12 of this financial statement.
(2) The property, plant and equipment were written off as a result of closure, relocation or upgrading of outlets.

# APPENDIX V
# UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2019



**1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year**

| | Group | | Company | |
|---|---|---|---|---|
| | 31.12.2019 | 31.12.2018 | 31.12.2019 | 31.12.2018 |
| | $'000 | $'000 | $'000 | $'000 |
| **Non-current assets** | | | | |
| Property, plant and equipment | 712,464 | 173,413 | 129,249 | 77,597 |
| Investment property | 39,196 | 39,748 | - | - |
| Intangible assets | 94,490 | 6,071 | - | - |
| Investment securities | 73,610 | 83,149 | - | - |
| Investment in subsidiaries | - | - | 24,663 | 24,509 |
| Investment in associates | 25,764 | 26,226 | - | - |
| Investment in joint ventures | 6,107 | 8,684 | - | - |
| Other receivables | 1,770 | 838 | - | - |
| Due from related corporations | - | - | - | 30,773 |
| Deferred tax assets | 1,969 | 2,340 | - | - |
| | 955,370 | 340,469 | 153,912 | 132,879 |
| **Current assets** | | | | |
| Investment securities | 36,166 | 4,797 | - | - |
| Inventories | 15,118 | 11,304 | - | - |
| Trade and other receivables | 79,621 | 57,947 | 7,775 | 5,534 |
| Prepayments | 8,564 | 5,942 | 402 | 489 |
| Tax recoverable | 884 | 315 | - | - |
| Due from related corporations | 2,507 | 1,124 | 289,219 | 169,231 |
| Amount due from minority shareholders of subsidiaries | 1,408 | 1,986 | - | - |
| Cash and cash equivalents | 157,587 | 184,975 | 11,850 | 15,729 |
| | 301,855 | 268,390 | 309,246 | 190,983 |
| **Current liabilities** | | | | |
| Trade and other payables | 105,659 | 97,524 | 2,260 | 3,369 |
| Other liabilities | 80,773 | 78,657 | 4,887 | 7,609 |
| Provision for reinstatement cost | 21,319 | 15,768 | 27 | 27 |
| Due to related corporations | 2,206 | 3,024 | 82,725 | 65,964 |
| Loan from a minority shareholder of a subsidiary | 200 | 200 | - | - |
| Short term loans | 137,910 | 5,944 | 78,000 | - |
| Notes payables | 99,601 | 75,000 | 99,601 | 75,000 |
| Current portion of long-term loans | 109,409 | 16,631 | 86,588 | 3,348 |
| Tax payable | 14,515 | 12,186 | 2,405 | 1,032 |
| Lease liabilties | 151,570 | - | - | - |
| | 723,162 | 304,934 | 356,493 | 156,349 |
| **Net current (liabilities)/assets** | **(421,307)** | **(36,544)** | **(47,247)** | **34,634** |

**BREADTALK GROUP LIMITED**
Financial Statements and Dividend Announcement
For The Fourth Quarter and Year Ended 31 December 2019

| | Group | | Company | |
|---|---|---|---|---|
| | 31.12.2019 | 31.12.2018 | 31.12.2019 | 31.12.2018 |
| | $'000 | $'000 | $'000 | $'000 |
| **Non-current liabilities** | | | | |
| Long-term loans | - | 28,849 | - | 16,020 |
| Notes payables | - | 99,511 | - | 99,511 |
| Loan from a minority shareholder of a subsidiary | 111 | 535 | - | - |
| Other liabilities | 16 | 7,641 | - | - |
| Deferred tax liabilities | 14,274 | 4,653 | 11,558 | 3,116 |
| Lease liabilties | 336,685 | - | - | - |
| | 351,086 | 141,189 | 11,558 | 118,647 |
| Net assets | 182,977 | 162,736 | 95,107 | 48,866 |
| **Share capital and reserves** | | | | |
| Share capital | 33,303 | 33,303 | 33,303 | 33,303 |
| Treasury shares | (415) | (247) | (415) | (247) |
| Accumulated profits | 67,820 | 96,128 | 17,161 | 15,017 |
| Other reserves | 46,649 | 4,476 | 45,058 | 793 |
| | 147,357 | 133,660 | 95,107 | 48,866 |
| Non-controlling interests | 35,620 | 29,076 | - | - |
| Total equity | 182,977 | 162,736 | 95,107 | 48,866 |

**1(b)(ii) Aggregate amount of group's borrowings and debt securities**

**Amount repayable in one year or less, or on demand**

| As at 31.12.2019 | | As at 31.12.2018 | |
|---|---|---|---|
| Secured | Unsecured | Secured | Unsecured |
| $'000 | $'000 | $'000 | $'000 |
| 117,609 | 229,622 | 16,360 | 81,657 |

**Amount repayable after one year**

| As at 31.12.2019 | | As at 31.12.2018 | |
|---|---|---|---|
| Secured | Unsecured | Secured | Unsecured |
| $'000 | $'000 | $'000 | $'000 |
| 0 | 0 | 27,985 | 100,668 |

**Details of any collateral**

(1) As at 31 December 2019, a total amount of $229.6 million of the Group's bank borrowings are unsecured.
(2) The remaining bank loans are secured by the following:
- a closed legal mortgage in favour of the bank over the property at Private Lot A0135906 at Plot 1A, Tai Seng Street in Paya Lebar Industrial Estate;
- a first legal mortgage in favour of the bank over the property at 22/22A Lorong Mambong Singapore 277681;
- charge over all the shares of a subsidiary.

**Reclassification of Long-term loans and Notes payable**

(1) As at 31 December 2019, a total amount of $76.5 million in Long-term loans and $99.6 million in Notes payable has been reclassified from non-current liabilities to current liabilities.
(2) The reclassification arises as a result of a technical breach of financial covenants in the $100 million, 4.00%, fixed rate notes due 2023 issued under the $250 million multicurrency medium term note programme of the Company, as well as technical breach of similar financial covenants on certain bilateral bank loans whose financial covenants mirror that of the medium term note programme
(3) Please refer to the Announcement “TECHNICAL BREACH OF FINANCIAL COVENANTS IN THE S$100 MILLION 4.00% FIXED RATE NOTES DUE 2023 (THE "NOTES") ISSUED UNDER THE S$250,000,000 MULTICURRENCY MEDIUM TERM NOTE PROGRAMME (THE "PROGRAMME") OF THE COMPANY”, that was released to the SGX for details.

**BREADTALK GROUP LIMITED**
Financial Statements and Dividend Announcement
For The Fourth Quarter and Year Ended 31 December 2019

**1(c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.**

| | Group | | Group | |
|---|---|---|---|---|
| | **4Q 2019** | **4Q 2018** | **12M 2019** | **12M 2018** |
| | $'000 | $'000 | $'000 | $'000 |
| **Cash flows from operating activities** | | | | |
| (Loss)/profit before tax | (6,187) | 11,057 | 7,116 | 31,143 |
| Adjustments for: | | | | |
| Amortisation of intangible assets | 195 | 112 | 687 | 414 |
| Allowance for inventory obsolescence | (580) | 12 | 315 | 12 |
| Bad debts written off | 110 | 856 | 113 | 841 |
| Depreciation of property, plant and equipment | 11,502 | 12,151 | 39,027 | 40,768 |
| Depreciation of right-of-use assets | 42,943 | - | 140,987 | - |
| Fair value gain on investment property | (20) | (1,081) | (20) | (1,081) |
| Loss/(gain) on divestment of investment securities | - | 213 | (8) | 1,683 |
| (Gain)/loss on disposal of property, plant and equipment | 32 | (18) | 88 | (67) |
| Impairment loss on goodwill | 3,855 | - | 3,855 | - |
| Derecognition of investment in joint venture | (2,124) | - | (2,124) | - |
| (Write back)/impairment loss on property, plant and equipment | (125) | (83) | (327) | (153) |
| Impairment loss on investment in associates | 76 | - | 474 | - |
| Fair value gain on investment securities | (6,445) | (1,597) | (6,445) | (1,918) |
| Intangible assets written off | 4 | - | 4 | 77 |
| Interest expense from borrowings | 2,406 | 1,898 | 8,782 | 9,206 |
| Interest expense from lease liabilities | 1,689 | - | 13,288 | - |
| Interest income | (401) | (639) | (1,723) | (3,158) |
| Inventories written off | 784 | 1 | 790 | 2 |
| Property, plant and equipment written off | 4,048 | (501) | 4,566 | 1,536 |
| Share based payment expenses | 118 | 39 | 379 | 238 |
| Share of results of associates | 135 | 418 | (14) | 1,165 |
| Share of results of joint ventures | 506 | 533 | 727 | 634 |
| (Write back)/impairment loss on trade receivables | 897 | 33 | 889 | (178) |
| (Write back)/impairment loss on other receivables | (67) | (55) | - | 138 |
| (Write back)/writedown of inventories | - | (9) | - | - |
| Write back of provision for reinstatement cost | 47 | (16) | 47 | (99) |
| Exchange differences | (600) | 1,110 | (903) | 864 |
| Operating cash flow before working capital changes | 52,798 | 24,434 | 210,570 | 82,067 |
| (Increase)/decrease in: | | | | |
| Amount due from associate (trade) | (1,015) | - | (1,015) | 9 |
| Amount due from joint ventures (trade) | (1) | 47 | 3 | (8) |
| Inventories | 1,533 | (327) | (4,749) | (1,597) |
| Prepayments | (441) | 1,785 | (1,784) | 829 |
| Trade and other receivables | 10,023 | (1,450) | (8,402) | (5,357) |
| (Decrease)/increase in: | | | | |
| Amount due to a joint venture (trade) | (2) | 88 | (812) | (440) |
| Other liabilities | 18,574 | 2,060 | 5,994 | (1,665) |
| Trade and other payables | (9,562) | 4,460 | (20,320) | 1,367 |
| Cash generated from operations | 71,907 | 31,097 | 179,485 | 75,205 |
| Tax paid | 267 | (257) | (8,674) | (9,575) |
| **Net cash flow from operating activities** | **72,174** | **30,840** | **170,811** | **65,630** |

**BREADTALK GROUP LIMITED**
Financial Statements and Dividend Announcement
For The Fourth Quarter and Year Ended 31 December 2019

| | Group | | Group | |
|---|---|---|---|---|
| | **4Q 2019** | **4Q 2018** | **12M 2019** | **12M 2018** |
| | $'000 | $'000 | $'000 | $'000 |
| **Cash flows from investing activities** | | | | |
| Additions to intangible assets | (1,438) | (472) | (1,931) | (500) |
| Amount due from non-controlling interests (non-trade) | - | (1,466) | 795 | (1,466) |
| Amount due from joint ventures (non-trade) | (30) | (841) | 39 | (47) |
| Amount due to joint ventures (non-trade) | (29) | 1 | (30) | (37) |
| Amount due to associates (non-trade) | (613) | 797 | (386) | (380) |
| Amount due from associates (non-trade) | - | (210) | - | (210) |
| Cash paid for reinstatement expenses | (589) | (386) | (1,050) | (1,001) |
| Amount paid for acquisition of subsidiaries | (85,637) | - | (85,637) | - |
| Dividends received from a joint venture | - | 825 | - | 825 |
| Dividends received from an associate | - | - | - | 60 |
| Interest income received | (75) | 639 | 1,247 | 3,158 |
| Investment in an associate | - | (477) | - | (477) |
| Investment in a joint venture | (963) | 477 | (2,414) | - |
| Proceeds from disposal of property, plant and equipment | 2 | 18 | 2 | 128 |
| Proceeds from divestment of investment securities | - | (323) | 4,947 | 19,832 |
| Purchase of fixed assets | (8,522) | (23,132) | (46,688) | (47,949) |
| Purchase of investment securities | - | (3,649) | (20,324) | (23,439) |
| **Net cash flow used in investing activities** | **(97,894)** | **(28,199)** | **(151,430)** | **(51,503)** |
| **Cash flows from financing activities** | | | | |
| Acquisition of non-controlling interests | - | - | (150) | (419) |
| Capital contribution from non-controlling interests | - | 840 | 4,558 | 7,103 |
| Dividends paid to shareholders of the company | (2,816) | - | (11,272) | (11,264) |
| Interest from borrowings paid | (2,406) | (1,898) | (8,782) | (9,206) |
| Interest expense from lease liabilities paid | (1,689) | - | (13,288) | - |
| Proceeds from long-term loans | 10,000 | 403 | 97,000 | 879 |
| Proceeds from short-term loans | 108,143 | 306 | 153,528 | 42,863 |
| (Repayment)/proceeds from medium term notes | - | - | (75,000) | 100,000 |
| Purchase of treasury shares | (111) | - | (422) | - |
| Repayment of lease obligations | (43,409) | - | (137,615) | - |
| Repayment of loan due to minority shareholder | (44) | (404) | (424) | 27 |
| Repayment of long-term loans | (7,439) | (1,192) | (33,100) | (43,800) |
| Repayment of short-term loans | (1,493) | (26,226) | (21,786) | (56,159) |
| **Net cash flow from/(used in) financing activities** | **58,736** | **(28,171)** | **(46,753)** | **30,024** |
| Net increase/(decrease) in cash and cash equivalents | 33,016 | (25,530) | (27,372) | 44,151 |
| Effect of exchange rate changes on cash and cash equivalents | 344 | (167) | (16) | (421) |
| Cash and cash equivalents at beginning of financial period | 124,227 | 210,672 | 184,975 | 141,245 |
| **Cash and cash equivalents at end of financial period** | **157,587** | **184,975** | **157,587** | **184,975** |

**Note A: Cash and cash equivalents comprise:**

| | Group | |
|---|---|---|
| | **31.12.2019** | **31.12.2018** |
| | $'000 | $'000 |
| Cash on hand and at bank | 156,594 | 184,968 |
| Short term FD | 993 | 7 |
| | 157,587 | 184,975 |

**1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year**

| | Attributable to Shareholders of the Company | | | | | | |
|---|---|---|---|---|---|---|---|
| **Group** | **Share capital** | **Treasury shares** | **Accumulated profits** | **Other reserves (Note B)** | **Total** | **Non-controlling interests** | **Total equity** |
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Balance at 1 January 2019, as previously reported** | **33,303** | **(247)** | **96,128** | **4,476** | **133,660** | **29,076** | **162,736** |
| Impact of adopting SFRS(I) 16 | - | - | (11,791) | - | (11,791) | - | (11,791) |
| **Balance at 1 January 2019 (Restated)** | **33,303** | **(247)** | **84,337** | **4,476** | **121,869** | **29,076** | **150,945** |
| Profit for the period | - | - | 2,853 | - | 2,853 | 2,402 | 5,255 |
| Other comprehensive income | | | | | | | |
| Foreign currency translation | - | - | - | (1,141) | (1,141) | - | (1,141) |
| Total other comprehensive income, net of tax | - | - | - | (1,141) | (1,141) | - | (1,141) |
| **Total comprehensive income for the period** | **-** | **-** | **2,853** | **(1,141)** | **1,712** | **2,402** | **4,114** |
| Contributions by and distributions to owners | | | | | | | |
| Share-based payments | - | - | - | 261 | 261 | - | 261 |
| Dividends paid | - | - | (8,457) | - | (8,457) | - | (8,457) |
| Purchase of treasury shares | - | (311) | - | - | (311) | - | (311) |
| Treasury shares transferred on vesting of restricted share grant | - | 254 | - | (254) | - | - | - |
| **Total contributions by and distributions to owners** | - | (57) | (8,457) | 7 | (8,507) | - | (8,507) |
| Changes in ownership interests in a subsidiary | | | | | | | |
| Issuance of new shares to non-controlling interest | - | - | - | - | - | 4,558 | 4,558 |
| Acquisition of non-controlling interests without a change in control | - | - | - | (620) | (620) | 470 | (150) |
| **Total changes in ownership interests in a subsidiary** | - | - | - | (620) | (620) | 5,028 | 4,408 |
| **Balance at 30 September 2019** | **33,303** | **(304)** | **78,733** | **2,722** | **114,454** | **36,506** | **150,960** |
| **Balance at 1 October 2019** | **33,303** | **(304)** | **78,733** | **2,722** | **114,454** | **36,506** | **150,960** |
| Loss for the period | - | - | (8,098) | - | (8,098) | (1,022) | (9,120) |
| Other comprehensive income | | | | | | | |
| Gain on revaluation of leasehold land and property | - | - | - | 44,140 | 44,140 | - | 44,140 |
| Foreign currency translation | - | - | - | (195) | (195) | - | (195) |
| Total other comprehensive income, net of tax | - | - | - | 43,945 | 43,945 | - | 43,945 |
| **Total comprehensive income for the period** | **-** | **-** | **(8,098)** | **43,945** | **35,847** | **(1,022)** | **34,825** |
| Contributions by and distributions to owners | | | | | | | |
| Share-based payments | - | - | - | 118 | 118 | - | 118 |
| Dividends paid | - | - | (2,815) | - | (2,815) | - | (2,815) |
| Purchase of treasury shares | - | (111) | - | - | (111) | - | (111) |
| **Total contributions by and distributions to owners** | - | (111) | (2,815) | 118 | (2,808) | - | (2,808) |
| Changes in ownership interests in a subsidiary | | | | | | | |
| Acquisition of non-controlling interests without a change in control | - | - | - | (136) | (136) | 136 | - |
| **Total changes in ownership interests in a subsidiary** | - | - | - | (136) | (136) | 136 | - |
| **Balance at 31 December 2019** | **33,303** | **(415)** | **67,820** | **46,649** | **147,357** | **35,620** | **182,977** |

| | Attributable to Shareholders of the Company | | | | | | |
|---|---|---|---|---|---|---|---|
| **Group** | **Share capital** | **Treasury shares** | **Accumulated profits** | **Other reserves (Note B)** | **Total** | **Non-controlling interests** | **Total equity** |
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Balance at 1 January 2018, as previously reported** | **33,303** | **(460)** | **98,933** | **3,216** | **134,992** | **25,479** | **160,471** |
| Impact of adopting SFRS(I) 9 | - | - | (1,141) | - | (1,141) | - | (1,141) |
| Impact of adopting SFRS(I) 15 | - | - | (5,591) | - | (5,591) | - | (5,591) |
| **Balance at 1 January 2018 (Restated)** | **33,303** | **(460)** | **92,201** | **3,216** | **128,260** | **25,479** | **153,739** |
| Profit for the period (Restated) | - | - | 6,311 | - | 6,311 | 5,594 | 11,905 |
| Other comprehensive income | | | | | | | |
| Net gain on fair value changes of investment securities | - | - | - | (6) | (6) | - | (6) |
| Foreign currency translation | - | - | - | (209) | (209) | - | (209) |
| Total other comprehensive income, net of tax | - | - | - | (215) | (215) | - | (215) |
| **Total comprehensive income for the period** | **-** | **-** | **6,311** | **(215)** | **6,096** | **5,594** | **11,690** |
| Contributions by and distributions to owners | | | | | | | |
| Share-based payments | - | - | - | 198 | 198 | - | 198 |
| Dividends paid | - | - | (11,264) | - | (11,264) | - | (11,264) |
| Treasury shares transferred on vesting of restricted share grant | - | 213 | - | (213) | - | - | - |
| **Total contributions by and distributions to owners** | - | 213 | (11,264) | (15) | (11,066) | - | (11,066) |
| Changes in ownership interests in a subsidiary | | | | | | | |
| Issuance of new shares to non-controlling interest | - | - | - | - | - | 6,880 | 6,880 |
| Acquisition of non-controlling interests without a change in control | - | - | - | 1,054 | 1,054 | (1,473) | (419) |
| **Total changes in ownership interests in a subsidiary** | - | - | - | 1,054 | 1,054 | 5,407 | 6,461 |
| **Balance at 30 September 2018** | **33,303** | **(247)** | **87,248** | **4,040** | **124,344** | **36,480** | **160,824** |
| **Balance at 1 October 2018** | **33,303** | **(247)** | **87,248** | **4,040** | **124,344** | **36,480** | **160,824** |
| Profit for the period (Restated) | - | - | 8,880 | - | 8,880 | (1,067) | 7,813 |
| Other comprehensive income | | | | | | | |
| Net loss on fair value changes of available-for-sale financial assets | - | - | - | (9) | (9) | - | (9) |
| Foreign currency translation | - | - | - | 405 | 405 | - | 405 |
| Total other comprehensive income, net of tax | - | - | - | 396 | 396 | - | 396 |
| **Total comprehensive income for the period** | **-** | **-** | **8,880** | **396** | **9,276** | **(1,067)** | **8,209** |
| Contributions by and distributions to owners | | | | | | | |
| Share-based payments | - | - | - | 40 | 40 | - | 40 |
| Dividends paid | - | - | - | - | - | (6,560) | (6,560) |
| **Total contributions by and distributions to owners** | - | - | - | 40 | 40 | (6,560) | (6,520) |
| Changes in ownership interests in a subsidiary | | | | | | | |
| Issuance of new shares to non-controlling interest | - | - | - | - | - | 223 | 223 |
| **Total changes in ownership interests in a subsidiary** | - | - | - | - | - | 223 | 223 |
| **Balance at 31 December 2018** | **33,303** | **(247)** | **96,128** | **4,476** | **133,660** | **29,076** | **162,736** |

**BREADTALK GROUP LIMITED**
Financial Statements and Dividend Announcement
For The Fourth Quarter and Year Ended 31 December 2019

| Company | Share capital | Treasury shares | Accumulated profits | Other reserves (Note B) | Total |
|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Balance at 1 January 2019** | **33,303** | **(247)** | **15,017** | **793** | **48,866** |
| Profit for the period | - | - | 9,485 | - | 9,485 |
| **Total comprehensive income for the period** | - | - | 9,485 | - | 9,485 |
| Contributions by and distributions to owners | | | | | |
| Share-based payments | - | - | - | 261 | 261 |
| Dividend paid | - | - | (8,457) | - | (8,457) |
| Purchase of treasury shares | - | (311) | - | - | (311) |
| Treasury shares transferred on vesting of restricted share grant | - | 254 | - | (254) | - |
| **Total contributions by and distributions to owners** | - | (57) | (8,457) | 7 | (8,507) |
| **Balance at 30 September 2019** | **33,303** | **(304)** | **16,045** | **800** | **49,844** |
| **As at 1 October 2019** | **33,303** | **(304)** | **16,045** | **800** | **49,844** |
| Profit for the period | - | - | 3,931 | - | 3,931 |
| **Total comprehensive income for the period** | - | - | 3,931 | - | 3,931 |
| Other comprehensive income | | | | | |
| Gain on revaluation of leasehold land and property | - | - | - | 44,140 | 44,140 |
| **Total comprehensive income for the period** | **-** | **-** | **-** | **44,140** | **44,140** |
| Contributions by and distributions to owners | | | | | |
| Share-based payments | - | - | - | 118 | 118 |
| Dividend paid | - | - | (2,815) | - | (2,815) |
| Purchase of treasury shares | - | (111) | - | - | (111) |
| **Total contributions by and distributions to owners** | - | (111) | (2,815) | 118 | (2,808) |
| **Balance at 31 December 2019** | **33,303** | **(415)** | **17,161** | **45,058** | **95,107** |
| | | | | | |
| **Balance at 1 January 2018** | **33,303** | **(460)** | **8,332** | **768** | **41,943** |
| Profit for the period | - | - | 4,073 | - | 4,073 |
| **Total comprehensive income for the period** | - | - | 4,073 | - | 4,073 |
| Contributions by and distributions to owners | | | | | |
| Share-based payments | - | - | - | 199 | 199 |
| Dividends paid | - | - | (11,264) | - | (11,264) |
| Treasury shares transferred on vesting of restricted share grant | - | 213 | - | (213) | - |
| **Total contributions by and distributions to owners** | - | 213 | (11,264) | (14) | (11,065) |
| **Balance at 30 September 2018** | **33,303** | **(247)** | **1,141** | **754** | **34,951** |
| **As at 1 October 2018** | **33,303** | **(247)** | **1,141** | **754** | **34,951** |
| Profit for the period | - | - | 13,876 | - | 13,876 |
| **Total comprehensive income for the period** | - | - | 13,876 | - | 13,876 |
| Contributions by and distributions to owners | | | | | |
| Share-based payments | - | - | - | 39 | 39 |
| **Total contributions by and distributions to owners** | - | - | - | 39 | 39 |
| **Balance at 31 December 2018** | **33,303** | **(247)** | **15,017** | **793** | **48,866** |

**Note B: Other reserves**

| | Group | | Company | |
|---|---|---|---|---|
| | 31.12.2019 | 31.12.2018 | 31.12.2019 | 31.12.2018 |
| | $000 | $000 | $000 | $000 |
| Statutory reserve fund | 2,954 | 2,954 | - | - |
| Translation reserve | 499 | 1,835 | - | - |
| Revaluation reserve | 44,140 | - | 44,140 | - |
| Capital reserve | 177 | 177 | 177 | 177 |
| Share based compensation reserve | 741 | 616 | 741 | 616 |
| Premium on acquisition of non-controlling interests | (1,862) | (1,106) | - | - |
| | **46,649** | **4,476** | **45,058** | **793** |

**1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year**

There were no changes in the share capital of the Company in 4Q 2019. There were a total of 719,134 treasury shares held as at 31 December 2019 (31 December 2018: 509,376). The Company did not have any subsidiary holdings or other convertibles as at 31 December 2019.

**1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year**

As at 31 December 2019, the Company's issued and paid up capital, excluding 719,134 (31 December 2018: 509,376) treasury shares held, comprises 563,067,342 (31 December 2018: 563,277,100) ordinary shares.

**1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported thereon**

| | Number of Treasury Shares | | | |
|---|---|---|---|---|
| | 4Q 2019 | 4Q 2018 | 12M 2019 | 12M 2018 |
| Balance at beginning of financial period as adjusted for share split | 519,134 | 915,908 | 509,376 | 915,908 |
| Purchase of treasury shares | 200,000 | - | 695,000 | - |
| Treasury shares transferred on vesting of restricted share grant as adjusted for share split | - | (406,532) | (485,242) | (406,532) |
| Balance at end of financial period as adjusted for share split | 719,134 | 509,376 | 719,134 | 509,376 |

**1(d)(v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on**

Not applicable.

**2 Whether the figures have been audited, or reviewed and in accordance with which standard (e.g. the Singapore Standard on Auditing 910 (Engagements to Review Financial Statements), or an equivalent standard)**

The figures have not been audited or reviewed by the Company's auditors.

**3 Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter)**

Not applicable.

**4 Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied**

The Group has applied the same accounting policies and methods of computation in the financial statements for the current reporting period compared with the audited annual financial statements for the year ended 31 December 2018, except for (i) the adoption of the new and revised Singapore Financial Reporting Standards (International) ("SFRS(I)") which are effective for its financial year beginning 1 January 2019, and (ii) changing from cost model to revaluation model for its leasehold land and property in accordance to SFRS(I) 1 -16 – Property, Plant and Equipment.

**5 If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change**

The Group and the Company have adopted the new and revised SFRS(I) which are effective for its financial year beginning 1 January 2019. The impact of adopting the following SFRS(I) which are effective for financial year beginning 1 January 2019, are detailed as follows:

SFRS(I) 16 – Leases

The Group and Company adopted SFRS(I) 16 and elected to apply the standard retrospectively with the cumulative effect of initial application as an adjustment to the opening balance of retained earnings as at 1 January 2019. In addition, the Group elected the following practical expedients:

(i) not to reassess whether a contract is, or contains a lease at the date of initial application and to apply SFRS(I) 16 to all contracts that were previously identified as leases
(ii) to apply the exemption not to recognize right-of-use asset and lease liabilities to lease for which the lease term ends within 12 months as of 1 January 2019
(iii) to apply a single discount rate to a portfolio of leases with reasonably similar characteristics

Summary of Impact

| **Group** | **$'000** | | |
|---|---|---|---|
| | **1 January 2019** | **SFRS(I) 16** | **1 January 2019 (Restated)** |
| | | | |
| **Non Current Assets** | | | |
| Property, plant and equipment | - | 374,328 | 374,328 |
| | | | |
| **Non Current Liabilities** | | | |
| Lease liabilities | - | 274,341 | 274,341 |
| | | | |
| **Current Liabilities** | | | |
| Lease liabilities | - | 123,503 | 123,503 |
| | | | |
| **Equity** | | | |
| Accumulated Profits | 96,128 | (11,791) | 84,337 |
| | | | |

Change in accounting policy

Besides adopting the new and revised SFRS(I) which are effective from 1 January 2019, the Group and the Company have also changed its accounting policy from cost model to revaluation model for its leasehold land and property in accordance to SFRS(I) 1-16 – Property, Plant and Equipment. The change resulted in the leasehold land and property being carried at the revalued amount of S$116.0 million and the recording of S$44.1 million in revaluation reserve, net of deferred tax.

**6 Earnings per ordinary share of the group for the current period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends**

| | Group | | Group | |
|---|---|---|---|---|
| | 4Q 2019 | 4Q 2018 | 12M 2019 | 12M 2018 |
| Earnings per ordinary share for the period: | | | | |
| (a) Based on weighted average number of ordinary shares in issue | -1.44 cent | 1.58 cents | -0.93 cent | 2.70 cents |
| Weighted average number of ordinary shares | 563,067,342 | 563,277,100 | 563,426,032 | 563,209,345 |
| (b) On a fully diluted basis | -1.44 cent | 1.58 cents | -0.93 cent | 2.70 cents |
| Adjusted weighted average number of ordinary shares | 563,589,579 | 563,591,884 | 564,044,579 | 563,524,129 |

**7 Net asset value (for the issuer and the group) per ordinary share based on total number of issued shares excluding treasury shares of the issuer at the end of the (a) current period reported on and (b) immediately preceding financial year**

| | Group | | Company | |
|---|---|---|---|---|
| | 31.12.2019 | 31.12.2018 | 31.12.2019 | 31.12.2018 |
| Net asset value per ordinary share based on issued share capital as at the end of period | 32.5 cents | 28.9 cents | 16.9 cents | 8.7 cents |

Note: The net asset value per ordinary share of the Group and the Company as at 31 December 2019 is computed based on the total number of issued shares (excluding 719,134 treasury shares) of 563,067,342 (31 December 2018: 563,277,100).

**8 A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. The review must discuss any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors. It must also discuss any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on**

**(A) Statement of Comprehensive Income**

Group revenue for FY2019 rose 9.0% Y/Y from $609.8 million to $664.9 million, led by growth across all business divisions. Following the adoption of SFRS(I) 16 this financial year, Earnings Before Interest, Tax, Depreciation and Amortisation ("EBITDA") for the Group during FY2019 stood at S$208.9 million, 160.5% higher Y/Y, as a significant portion of lease-related expenses that were earlier classified as operating expenses are now recognised as depreciation and interest expense. The Group recorded a Loss After Tax and Minority Interests ("PATMI loss") for FY2019 of S$5.2 million as compared to a profit of $15.2 million for FY2018.

Bakery Division revenue rose 2.0% Y/Y to $287.7 million during FY2019, with the consolidation of revenue from the Thailand Bakery business following the acquisition of the 50% interest in BTM (Thailand) Ltd from Minor Food Group. Excluding that, revenue would have been lower by 6.3% Y/Y, attributed to lower revenue from both the direct operated stores and the franchise business in China, partly offset by stronger revenue by the direct operated stores in Singapore and the international franchise business. The Division reported Profit Before Tax ("PBT") loss of S$13.5 million in FY2019 as compared to a profit of S$5.2 million in FY2018. The losses are primarily attributed to (1) a $6.1 million in one-off fixed assets impairment due to pre-mature outlet closures, inventory obsolescence, franchise income doubtful debt provisions, (2) widening of operating losses at the China and Hong Kong Bakery and Indonesia ToastBox businesses, (3) the full year consolidation of the Thailand Bakery business post-acquisition from Minor Food Group, which remains loss-making, and (4) profitability decline in the Singapore Bakery business.

The Food Atrium Division commenced the consolidation of the Food Junction financials from 1 November 2019 following the successful completion of the acquisition of Food Junction Management Pte Ltd. The consolidation added 15 food atrium outlets to the Division, bring the total of food atrium outlets to 73 as at the end of FY2019. Food Atrium Division revenue grew 5.3% Y/Y to $165.3 million, of which S$7.8 million came from the consolidation of Food Junction. The Division reported PBT of S$13.5 million for FY2019, of which S$0.2 million came from the consolidation of Food Junction. PBT fell 19.3% Y/Y, primarily attributed to (1) higher lease-related depreciation following the adoption of SFRS(I) 16 in FY2019, (2) weaker profitability in China, (3) weaker profitability in Hong Kong following the social unrest, and (4) losses in Taiwan and Cambodia.

Restaurant Division revenue rose 15.0% Y/Y to $175.2 million for FY2019, with the addition of 6 more outlets – 4 in Singapore (Republic Plaza, Great World City, Marina Bay Sands and Jewel Changi Airport) and 2 in Thailand (Terminal 21 and ICONSIAM) and the closure of 1 outlet in Singapore. The United Kingdom operations has yet to turn profitable. PBT for the period came in at $23.4 million, which was 0.2% higher Y/Y due to strong performance in the Singapore business.

4orth Division delivered a revenue of $32.5 million for FY2019 compared to S$14.2 million for FY2018. The period saw the commencement of our Song Fa Bak Kut Teh operations in Beijing, Guangzhou and Bangkok, as well as the deepening of our brands' presence in Shanghai. The Division reported a PBT loss of $10.8 million primarily attributed to start-up costs for new outlets and below expectation performance in certain outlets. On a standalone basis, Sō Ramen has been contributing positive net profit to the Division.

Overall interest expense for FY2019 increased 139.7% Y/Y to S$22.1 million, as the adoption of SFRS(I) 16 resulted in the recognition of lease-related interest expense attributed to the amortisation of the lease liabilities on the balance sheet, and is unrelated to our bank borrowings or medium term note in issue. Of the $22.1 million of interest expense incurred during the period, $8.8 million was related to bank borrowings and the outstanding medium term note, which was 4.6% lower Y/Y.

Share of results of associates and joint ventures turned in a loss of $0.7 million in FY2019, compared to a combined loss of $1.8 million in FY2018.

Earnings per share (EPS) on a fully diluted basis for FY2019 was loss of 0.93 cents compared to earnings of 2.70 cents for FY2018.

Net asset value (NAV) per share was 32.5 cents as at 31 December 2019 compared to 28.9 cents as at 31 December 2018.

Number of outlets including franchise under the Group:

| | 31.12.2019 | 31.12.2018 | Net increase / (decrease) |
|---|---|---|---|
| Bakery | 897 | 863 | 3.9% |
| *- Direct operated stores* | *275* | *221* | *24.4%* |
| *- Franchise* | *622* | *642* | *(3.1%)* |
| Food Atrium | 82 | 60 | 36.7% |
| *- Food courts* | *73* | *55* | *32.7%* |
| *- Direct operated restaurants* | *9* | *5* | *80.0%* |
| Restaurant | 33 | 28 | 17.9% |
| 4orth | 25 | 12 | 108.3% |
| **Total** | **1,037** | **963** | **7.7%** |

**(B) Statement of Financial position**

As at 31 December 2019,

Non-current assets increased by S$614.9 million or 180.6% from S$340.5 million to S$955.4 million mainly due to increase in:

(i) property, plant and equipment by S$539.1 million largely arising from the adoption of the SFRS(I) 16 on 1 January 2019 and the change from cost model to revaluation model for leasehold land and property; and
(ii) intangibles by S$88.4 million largely arising from the recognition of a provisional goodwill amount of $85.3 million from the consolidation of Food Junction, pending finalization of the purchase price allocation exercise to be completed in FY2020;

offset by a decrease in:

(i) investment securities by S$9.5 million; and
(ii) joint venture by S$2.6 million.

Current assets increased by S$33.5 million or 12.5% from S$268.4 million to S$301.9 million mainly due to increase in:

(i) investment securities by S$31.4 million;
(ii) trade and other receivables by S$21.7 million;
(iii) inventories by S$3.8 million; and
(iv) prepayments by S$2.6 million.

offset by decrease in cash and cash equivalents by S$27.4 million

Current liabilities increased by S$418.2 million or 137.2% from S$304.9 million to S$723.2 million mainly due to increase in:

(i) lease liabilities by S$151.6 million arising from the adoption of SFRS(I) 16;
(ii) short term loan by S$132.0 million;
(iii) current portion of long term loans by S$92.8 million arising from the reclassification of long term loans to current liabilities;
(iv) notes payable by $24.6 million arising from the reclassification of notes payables to current liabilities;
(v) trade and other payables by S$8.1 million;
(vi) provision for reinstatement cost by S$5.6 million;
(vii) other liabilities by S$2.1 million; and
(viii) tax payable by S$2.3 million.

Non-current liabilities increased by S$209.9 million or 148.7% from S$141.2 million to S$351.1 million mainly due to increase in lease liabilities by S$336.7 million arising from the adoption of SFRS(I) 16;

offset by a decrease in:

(i) notes payable by S$99.5 million arising from the reclassification of notes payable to current liabilities; and
(ii) long term loans by S$28.8 million arising from the reclassification of long term loans to current liabilities.

**(C) <u>Statement of Cash Flows</u>**

The Group generated net cash flow from operating activities of S$170.8 million in FY2019 as compared to S$65.6 million in FY2018.

Net cash flow used in investing activities was S$151.4 million in FY2019. Net cash flow was used primarily in the acquisition of subsidiaries amounting to S$85.6 million, purchase of property, plant and equipment amounting to S$46.7 million and purchase of investment securities amounting to S$20.3 million.

Net cash flow used in financing activities was S$45.9 million in FY2019. Following the adoption of SFRS(I) 16, the repayment of lease obligation for FY2019 was S$136.8 million. The net borrowings and redemption of medium term note totalled to S$120.2 million as compared to the net borrowings amounting to S$43.8 million in FY2018. The Group continues to monitor its borrowings closely.

Overall, the Group reported a net decrease in cash and cash equivalents of S$27.4 million in FY2019, ending the period with a cash and cash equivalents of S$157.6 million.

**9 Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results**

Not applicable.

**10 A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months**

The operating environment faced by the Group remains challenging across key markets, including Singapore, China and Hong Kong. The management team has been working actively to turnaround the loss-making businesses. The outbreak of Covid-19 has added further challenges to the Group’s operations. The uncertainty in Hong Kong will continue to have a negative impact to our Food Atrium and Bakery businesses in the territory.

**11 Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year**

**(a) By Business Segments**

| 12M 2019 | Bakery[1] | Food Atrium | Restaurant | 4orth | Real Estate Investment | Others[2] | Elimination | Group |
|---|---|---|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Revenue** | | | | | | | | |
| External sales | 287,738 | 165,269 | 175,173 | 32,479 | - | 4,271 | - | 664,930 |
| Inter-segment sales | 4,894 | 3,247 | 82 | 18 | - | 21,701 | (29,942) | - |
| Total revenue | 292,632 | 168,516 | 175,255 | 32,497 | - | 25,972 | (29,942) | 664,930 |
| **Results** | | | | | | | | |
| Profit from operations | (10,054) | 19,651 | 24,115 | (9,646) | 11,574 | (7,438) | (26) | 28,176 |
| Interest income | 414 | 207 | 2,184 | 224 | 1,147 | 5,004 | (7,457) | 1,723 |
| Interest expense | (3,084) | (6,342) | (2,948) | (1,331) | (5,184) | (10,664) | 7,483 | (22,070) |
| Share of associates' results | - | - | - | - | - | 14 | - | 14 |
| Share of joint ventures' results | (742) | 15 | - | - | - | - | - | (727) |
| Segment profit | (13,466) | 13,531 | 23,351 | (10,753) | 7,537 | (13,084) | - | 7,116 |
| Tax expense | | | | | | | | (10,981) |
| Loss after tax | | | | | | | | (3,865) |
| Segment assets | 258,775 | 416,643 | 229,643 | 89,772 | 249,315 | 318,014 | (307,790) | 1,254,372 |
| Tax recoverable | | | | | | | | 884 |
| Deferred tax assets | | | | | | | | 1,969 |
| Total Assets | | | | | | | | 1,257,225 |
| Segment liabilities | 292,447 | 499,897 | 148,722 | 78,127 | 125,937 | 293,324 | (392,995) | 1,045,459 |
| Tax payable | | | | | | | | 14,515 |
| Deferred tax liabiities | | | | | | | | 14,274 |
| Total liabilities | | | | | | | | 1,074,248 |
| Investment in associate | - | - | - | - | - | 25,764 | - | 25,764 |
| Investment in joint ventures | 3,218 | 474 | - | - | - | 2,415 | - | 6,107 |
| Additions to non-current assets [3] | 19,142 | 10,260 | 12,663 | 6,978 | - | 92,895 | - | 141,938 |
| Depreciation & Amortisation | 59,898 | 81,001 | 27,144 | 8,752 | 1,591 | 2,315 | - | 180,701 |
| Other non-cash expenses | 3,921 | 100 | 20 | 1,284 | 2 | 4,234 | - | 9,561 |

**BREADTALK GROUP LIMITED**
Financial Statements and Dividend Announcement
For The Fourth Quarter and Year Ended 31 December 2019

| **12M 2018** | **Bakery[1]** | **Food Atrium** | **Restaurant** | **4orth** | **Real Estate Investment** | **Others[2]** | **Elimination** | **Group** |
|---|---|---|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Revenue** | | | | | | | | |
| External sales | 282,004 | 156,895 | 152,316 | 14,173 | - | 4,408 | - | 609,796 |
| Inter-segment sales | 1,606 | 3,320 | - | 15 | - | 2,960 | (7,901) | - |
| Total revenue | 283,610 | 160,215 | 152,316 | 14,188 | - | 7,368 | (7,901) | 609,796 |
| **Results** | | | | | | | | |
| Profit from operations | 6,487 | 16,577 | 22,231 | (3,724) | 6,551 | (8,930) | (202) | 38,990 |
| Interest income | 357 | 190 | 1,168 | 42 | 1,806 | 2,237 | (2,642) | 3,158 |
| Interest expense | (685) | (278) | (105) | (198) | (6,483) | (4,089) | 2,632 | (9,206) |
| Share of associates' results | (48) | - | - | - | - | (1,117) | - | (1,165) |
| Share of joint ventures' results | (911) | 277 | - | - | - | - | - | (634) |
| Segment profit | 5,200 | 16,766 | 23,294 | (3,880) | 1,874 | (11,899) | (212) | 31,143 |
| Tax expense | | | | | | | | (11,425) |
| Profit after tax | | | | | | | | 19,718 |
| Segment assets | 157,501 | 133,904 | 113,100 | 82,531 | 190,039 | 207,920 | (278,791) | 606,204 |
| Tax recoverable | | | | | | | | 315 |
| Deferred tax assets | | | | | | | | 2,340 |
| Total Assets | | | | | | | | 608,859 |
| Segment liabilities | 141,695 | 128,826 | 48,165 | 59,119 | 124,014 | 216,851 | (289,386) | 429,284 |
| Tax payable | | | | | | | | 12,186 |
| Deferred tax liabiities | | | | | | | | 4,653 |
| Total liabilities | | | | | | | | 446,123 |
| Investment in associate | - | - | - | - | - | 26,226 | - | 26,226 |
| Investment in joint ventures | 8,225 | 459 | - | - | - | - | - | 8,684 |
| Additions to non-current assets [3] | 17,084 | 5,874 | 11,225 | 3,458 | 160 | 10,386 | - | 48,187 |
| Depreciation & Amortisation | 16,027 | 14,630 | 5,918 | 830 | 1,823 | 1,954 | - | 41,182 |
| Other non-cash expenses | 321 | 1,522 | (5) | 27 | 38 | 238 | - | 2,141 |

**(b) By Geographical Segments**

| | External Sales | | Non-current Assets [(3)] | |
|---|---|---|---|---|
| | **2019** | **2018** | **2019** | **2018** |
| | $'000 | $'000 | $'000 | $'000 |
| Singapore | 370,962 | 352,643 | 591,063 | 141,475 |
| Mainland China | 150,655 | 160,406 | 142,833 | 54,041 |
| Thailand | 49,442 | 23,160 | 37,453 | 6,215 |
| Hong Kong | 53,546 | 50,980 | 37,424 | 8,582 |
| Rest of the world | 40,325 | 22,607 | 37,377 | 8,919 |
| | 664,930 | 609,796 | 846,150 | 219,232 |

(1) Bakery operations comprise operation of bakery retail outlets as well as that operated through franchising.
(2) The business segment "Others" comprises the corporate services, treasury functions, investment holding activities, and associated companies.
(3) Non-current assets information presented above consist of property, plant and equipment, investment property and intangible assets.

**12 Dividend**

**(a) Whether an interim (final) ordinary dividend has been declared (recommend); and**

Nil.

**(bi) Amount per share (in cents)**

Nil.

**(bii) Amount per share (in cents) for the previous corresponding period**

| **Name of dividend** | **Final** |
|---|---|
| Dividend type | Cash |
| Dividend amount per ordinary share | 1.0 Singapore cent (tax exempt one-tier) |

**(c) Whether the dividend is before tax, net of tax or tax exempt. If before tax or net of tax, state the tax rate and the country where the dividend is derived. (If the dividend is not taxable in the hands of shareholders, this must be stated).**

Not applicable.

**(d) The date the dividend is payable**

Not applicable.

**(e) The date on which Registrable Transfers received by the company (up to 5.00 pm) will be registered before entitlements to the dividend are determined**

Not applicable.

**13 If no dividend has been declared (recommended), a statement to that effect and the reason(s) for the decision.**

No dividend has been declared (recommended) since the Group is in a net loss position for the period.

**14 If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect**

| Name of Interested Person | Aggregate value ($'000) of all IPTs during the financial year under review | Aggregate value of all IPTs conducted during the financial year under review under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S$100,000) |
|---|---|---|
| (1) Sky One Art Investment Pte Ltd<br>- Purchase of artwork | 182 | Not applicable - the Group does not have a shareholders' mandate under Rule 920 |
| (2) Toast Box @ 6th Avenue<br>- Rental income/miscellaneous charges | 239 | |

**15 Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704(10) in the format below. If there are no such persons, the issuer must make an appropriate negative statement.**

| Name | Age | Family relationship with any director, CEO and/or substantial shareholder | Current position and duties, and the year the position was first held | Details of changes in duties and position held, if any, during the year |
|---|---|---|---|---|
| Frankie Quek Swee Heng | 53 | Brother of George Quek Meng Tong (Group Chairman & Substantial Shareholder) | Head, Real Estate with effect from 1 July 2017, responsible for leasing arrangements in Singapore, and the management of BreadTalk IHQ building | N.A. |

**16 Breakdown of revenue and profit after tax**

| | Group | | |
|---|---|---|---|
| | FY 2019<br>$'000 | FY 2018<br>$'000 | Increase<br>(%) |
| (a) Sales reported for first half year | 320,958 | 297,366 | 7.9% |
| (b) Operating profit after tax before deducting minority interests reported for first half year | 3,281 | 7,993 | -59.0% |
| (c) Sales reported for second half year | 343,972 | 312,430 | 10.1% |
| (d) Operating loss after tax before deducting minority interests reported for second half year | (7,146) | 11,725 | -160.9% |

**17 Breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year**

| Annual Dividend (in $ million) | FY2019 | FY2018 |
|---|---|---|
| Ordinary dividend | | |
| - Interim | 5.6 | 2.8 |
| - Final | 0 | 5.6 |
| **Total:** | **5.6** | **8.4** |

**18 Confirmation that the issuer has procured undertakings from all its directors and executive officers pursuant to Rule 720(1) of the SGX Listing Manual**

The Company confirms that it has procured undertakings from all its Directors and Executive Officers (in the format set out in Appendix 7.7) pursuant to Rule 720(1) of the SGX Listing Manual.

**BY ORDER OF THE BOARD**
Ms. Shirley Tan Sey Liy
Company Secretary
24 February 2020

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