



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

**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**

The Board of Directors ("Board") of BreadTalk Group Limited (the "Company" and together with its subsidiaries, the "Group") refers to:

- (a) the Programme established by the Company on 7 May 2014;
- (b) the trust deed dated 7 May 2014 (the "Trust Deed") entered into between (1) the Company, as issuer, and (2) DB International Trust (Singapore) Limited, as trustee (the "Trustee"), in relation to the Programme;
- (c) the Notes issued pursuant to the Programme on 17 January 2018 with a tenor of five (5) years maturing on 17 January 2023; and
- (d) the full year unaudited financial statements of the Group (the "FY2019 Financial Statements") for the year ended 31 December 2019 ("FY2019") released on 24 February 2020.

As disclosed in the FY2019 Financial Statements, the Group has reported a net loss for FY2019 which is mainly attributable to the following factors:

- (1) widening of losses of the Group's bakery business in China and Thailand;
- (2) widening of losses across several brands (e.g. Wu Pao Chun, Song Fa, Tai Gai and Nayuki) within the 40rth Division of the Group due to challenging operating environments; and
- (3) significant deterioration in the financial performance of the Group's businesses in Hong Kong across both the Bakery and Food Atrium divisions of the Group due to the social unrest in that region.

For FY2019, the Group has also adopted SFRS(I) 16 (Leases) for the accounting treatment of its leases, in line with the new accounting standards. Generally, the adoption of SFRS(I) 16 has resulted in the frontloading of lease-related expenses into the profit or loss account compared to the previous standard of accounting for leases on a straight-line amortisation basis, which, in turn affects other line items reported in the FY2019 Financial Statements.

In view of the net loss reported by the Group due to difficult business operating environments in the overseas markets and the shift in accounting policy by the Group in adopting SFRS(I) 16, the accumulated profits reported by the Group in the FY2019 Financial Statements has decreased by

44.6 per cent. as compared to the accumulated profits for the corresponding period of the immediately preceding financial year.

The decrease in accumulated profits, which is a component in the financial covenants in Clauses 8.2(a) and 8.2(d) of the Trust Deed (the "**Relevant Financial Covenants**"), has resulted in a technical breach by the Company of the Relevant Financial Covenants in respect of FY2019 and is an Event of Default (as defined in the Trust Deed) under Condition 10(b) of the Notes.

A summary of the Company's performance both accounting for and excluding the effects of SFRS(I) 16 with respect to the financial covenants in Clause 8.2 of the Trust Deed for FY2019 is set out in the table below (terms defined in the Trust Deed have the same meanings when used in the table):

Clause	Threshold	FY2019	FY2019, but excluding SFRS(I) 16
8.2(a)	Consolidated Tangible Net Worth \geq S\$75 million	S\$53.282 million Does not pass threshold	S\$65.073 million Does not pass threshold
8.2(b)	Consolidated EBITDA to Consolidated Interest Expense $\geq 3.5 : 1$	9.51 : 1 Passes threshold	6.33 : 1 Passes threshold
8.2(c)	Consolidated Secured Debt to Consolidated Total Assets $\leq 0.5 : 1$	0.09 : 1 Passes threshold	0.15 : 1 Passes threshold
8.3(d)	Consolidated Total Borrowings (Net of Cash) to Consolidated Tangible Net Worth $\leq 3.0 : 1$	3.55 : 1 Does not pass threshold	2.91 : 1 Passes threshold

For the avoidance of doubt, the technical breach of the Relevant Financial Covenants is not indicative of any cashflow impact to the Group and the Company is expected to be in a position to pay interest payments on the Notes as and when such interest payments are due.

The Board wishes to assure shareholders, holders of the Notes and potential investors that the Company is currently evaluating all viable and available options in respect of the aforesaid breaches (including waivers and amendments to the Relevant Financial Covenants) and is consulting with its advisors with a view to engaging the holders of the Notes in the coming weeks to address the same. The Company will make further announcements when there are material updates as may be necessary or appropriate.

By Order of the Board of the Company

Shirley Tan Sey Liy
Company Secretary
24 February 2020