

DIVESTMENT OF INVESTMENT IN TRIPLEONE SOMERSET

1. INTRODUCTION

The Board of Directors (the “**Board**”) of BreadTalk Group Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) wishes to announce that the Company’s wholly-owned subsidiary, Imagine Properties Pte. Ltd. (“**IPPL**”), has today entered into a sale and purchase agreement (the “**SPA**”) with Simply Swift Limited (the “**Purchaser**”) and six (6) other vendors (together with IPPL, the “**Vendors**”), pursuant to which IPPL has agreed to sell and the Purchaser has agreed to purchase the junior bonds, preference shares and ordinary shares held by IPPL in Perennial Somerset Investors Pte. Ltd. (“**PSIPL**”) (collectively, the “**Divestment**”).

2. OVERVIEW OF THE DIVESTMENT

2.1. Information on PSIPL and TripleOne Somerset

PSIPL, through its wholly owned subsidiaries, is the sole owner of the mall known as “*TripleOne Somerset*”. TripleOne Somerset is a 17-storey commercial building located at 111 Somerset Road, Singapore 238164. In 2014, IPPL subscribed for junior bonds, preference shares and ordinary shares issued by PSIPL for an aggregate subscription amount of S\$17,222,403.

As at the date of this announcement, IPPL holds junior bonds in PSIPL for an aggregate principal amount of S\$12,137,000, and further holds 121,370 preference shares and 121,370 ordinary shares in the capital of PSIPL.

2.2. Rationale of the Divestment

The Company (through IPPL) subscribed for junior bonds, preference shares and ordinary shares issued by PSIPL, as part of its vertical integration strategy along the retail value chain by co-investing in certain commercial property projects with strategic partners. The Group has derived income from the investment via regular interest income on the junior bonds and potential capital appreciation.

The Divestment is in line with the Company’s capital management strategy where it continuously evaluates the return on invested capital on its portfolio of strategic investments. The Divestment also presents the Company with an opportunity to realise its investment at the same time as a majority of the investors in PSIPL, as the Purchaser will be purchasing an aggregate of 61.0% of the interest in PSIPL from the Vendors.

The Purchaser is a wholly-owned subsidiary of Shun Tak Holdings Limited, a company listed on the Hong Kong Stock Exchange.

2.3. Consideration for the Divestment

The aggregate purchase consideration payable in cash by the Purchaser to IPPL for the Divestment is S\$26,500,334 (subject to adjustments based on the net asset value of PSIPL on completion of the Divestment) (the “**Consideration**”).

The Consideration was arrived at on a willing-buyer and willing-seller basis, taking into account, *inter alia*, (i) the agreed property price of TripleOne Somerset of S\$1,257,734,654 based on S\$2,200 per square foot and the current balance net strata area available for sale of 571,697.57 square feet (excluding sold office strata units), and (ii) the estimated net asset

value (the “NAV”) of PS IPL as at 30 November 2016 (subject to certain adjustments) as agreed between the parties to the SPA.

The Consideration will be payable in the following manner:

- (a) 5% (approximately S\$1.325 million) payable five (5) business days from the date of the SPA to Perennial Singapore Investment Holdings Pte. Ltd. (holding such monies as a deposit for the Divestment) and released to the Vendors within five (5) business days after completion of the Divestment takes place (the “Completion”);
- (b) 85% (approximately S\$22.525 million) payable five (5) business days from Completion; and
- (c) the balance of the Consideration (approximately S\$2.650 million), after adjustment with reference to the Completion NAV amount, determined based on the audited completion accounts of PS IPL as of the date of Completion.

The Consideration will be adjusted upon completion of the audit of PS IPL and its subsidiaries as of Completion by an internationally recognised accounting firm.

The Group is expected to record a gain of S\$9,277,931 for the Divestment before transaction costs. The proceeds from the Divestment will be used for working capital purposes of the Group.

As at 30 September 2016, the unaudited book value and the net tangible asset of the junior bonds, preference shares and ordinary shares held by IPPL in PS IPL were approximately S\$17,222,403.

2.4. Material Conditions to the Divestment

Completion of the Divestment is conditional on the fulfilment of, *inter alia*, the following conditions:

- (a) the Purchaser or its parent having obtained such consents or approvals as may be required by any governmental authority in Hong Kong to complete the transactions contemplated in the SPA;
- (b) all necessary consents or waivers from the relevant banks which have provided banking facilities to PS IPL and its subsidiaries which are required for the performance of the SPA or Completion having been obtained on terms and conditions reasonably satisfactory to the Purchaser and such consents or waivers not having been revoked or amended prior to Completion;
- (c) certain lenders to loan facilities granted to Perennial (Somerset) Pte. Ltd. (the owner of TripleOne Somerset) having discharged or released the Vendors (other than Perennial Singapore Investment Holdings Pte. Ltd., being one (1) of the Vendors) and their respective affiliates from their undertakings given in relation to such loan facilities on terms and conditions reasonably satisfactory to the Vendors;
- (d) the warranties provided by the Vendors remaining true and accurate and not misleading in any material respect if they were repeated at Completion by reference to the facts and circumstances then existing; and
- (e) the auditor of PS IPL having completed the audit of and issued an unqualified opinion on the financial statements of PS IPL and its subsidiaries for the financial year ended 31 December 2016.

3. FINANCIAL EFFECTS

The financial effects of the Divestment on the Group as set out below are for illustrative purposes only and are not intended to reflect the actual future financial performance or position of the Group

immediately after the completion of the Divestment. The financial effects of the Divestment set out below have been prepared based on the Group's latest audited consolidated financial statements of the Group for the financial year ended 31 December 2015 ("FY2015"), as the financial results for the financial year ended 31 December 2016 have not been announced.

3.1. Share Capital

The Divestment will have no impact on the Company's issued share capital.

3.2. Net Tangible Assets

Assuming that the Divestment was completed on 31 December 2015, the *pro forma* financial effects of the Divestment on the consolidated net tangible assets ("NTA") of the Group are as follows:

	Before the Divestment	After the Divestment
NTA of the Group as at 31 December 2015 (S\$'000)	139,521	148,749
Number of issued and paid-up shares ('000)	281,556	281,556
NTA per Share (cents)	49.55	52.83

3.3. Earnings per Share

Assuming that the Divestment had been completed on 1 January 2015, the impact of the Divestment on the earnings per share ("EPS") of the Group would be as follows:

	Before the Divestment	After the Divestment
Profit after income tax and minority interests for FY2015 (S\$'000)	7,602	16,830
Weighted average number of issued and paid-up shares ('000)	281,734	281,734
EPS for FY2015 (cents)	2.70	5.97

4. RULE 1006 OF THE LISTING MANUAL

For the purposes of Chapter 10 of the Listing Manual of the Singapore Exchange Securities Trading Limited (the "SGX-ST"), the relative figures for the Divestment computed on the bases set out in Rule 1006 and based on the latest announced unaudited financial results of the Group as at 30 September 2016 are as follows:

Rule	Bases	Relative Figure
1006(a)	The net asset value of the assets to be disposed of, compared with the group's net asset value. This basis is not applicable to an acquisition of assets.	12.04%
1006(b)	The net profits attributable to the assets disposed of, compared with the Group's net profits.	-2.09 ⁽¹⁾
1006(c)	The aggregate value of the consideration given, compared with the issuer's market capitalisation based on the total number of issued shares excluding treasury shares. ⁽²⁾	7.60%
1006(d)	The number of equity securities issued by the issuer as consideration for an acquisition, compared with the number of equity securities previously in issue.	Not applicable

Rule	Bases	Relative Figure
1006(e)	The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the group's proved and probable reserves. This basis is applicable to a disposal of mineral, oil or gas assets by a mineral, oil and gas company, but not to an acquisition of such assets.	Not applicable

Notes:

- (1) Based on the latest announced unaudited financial statements of the Company for the period ended 30 September 2016, the net losses attributable to the junior bonds, preference shares and ordinary shares issued by PSIPL are S\$400,009, whereas the net profits of the Group for the same period are S\$19,166,000.
- (2) The market capitalisation of the Company, determined by multiplying the 281,314,178 Shares in issue as at the date of this announcement by the weighted average price of the Company's shares of approximately S\$1.24 on 24 January 2016, which is the market day preceding the date of the SPA.

In view of the relative figure in Rule 1006(b) being a negative figure, pursuant to Rule 1007(1) of the Listing Manual, the Company will consult the SGX-ST on the application of Chapter 10 of the Listing Manual to the Divestment.

5. DOCUMENT AVAILABLE FOR INSPECTION

A copy of the SPA 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 a period of three (3) months from the date of this announcement.

6. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

Save for their shareholdings in the Company, none of the Directors or controlling shareholders of the Company has any interest, directly or indirectly, in the Divestment.

7. SERVICE AGREEMENT

No person is proposed to be appointed as a Director in connection with the Divestment. Accordingly, no service agreement is proposed to be entered into between the Company and any such person.

BY ORDER OF THE BOARD

Shirley Tan Sey Liy
Company Secretary
26 January 2017