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

DIVESTMENT OF INVESTMENT IN 112 KATONG

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1. INTRODUCTION

The Board of Directors of BreadTalk Group Limited (the "**Company**" and together with its subsidiaries, the "**Group**") wishes to announce that Imagine Properties Pte. Ltd. (a wholly-owned subsidiary of the Company) ("**IPPL**") has on 15 January 2016, together with BHG Holdings Pte. Ltd. and Perennial Singapore Investments Holdings Pte. Ltd. (collectively known as the "**Vendors**"), entered into a sale and purchase agreement (the "**SPA**") with DC REIT Holdings Pte. Ltd. (the "**Purchaser**"), pursuant to which IPPL has agreed to sell and the Purchaser has agreed to purchase S$7,224,000 in principal amount of S$154.000,000 Secured Fixed Rate Junior Bonds Due 2015 (the "**Junior Bonds**") issued by Pre 1 Investments Pte. Ltd. ("**PRE1**") and the beneficial interests in 43 redeemable preference shares in the capital of PRE1 (the "**Pref-Shares**") (collectively known as the "**Divestment**"). The Divestment was completed on 15 January 2016.

2. OVERVIEW OF THE DIVESTMENT

2.1 Information on PRE1

PRE1 is the sole unitholder of Perennial Katong Retail Trust ("**PKRT**") which in turn holds the 6-storey retail mall known as 112 Katong, located at 112 East Coast Road Singapore 428802 (the "**Property**"). Pursuant to the subscription agreement between PRE1 and IPPL dated 27 January 2010, IPPL was allotted and issued S$10,750,000 in principal amount of Junior Bonds and 43 Pref-Shares at an aggregate price of S$4.30 (the legal title to which is held by British and Malayan Trustees Limited on trust for IPPL). Subsequently on 27 February 2012, PRE1 made a partial redemption of S$3,526,000 on the Junior Bonds.

2.2 Information on the Proposed Divestment

The aggregate purchase consideration payable in cash by the Purchaser to IPPL for the Divestment is S$16,015,000 (subject to certain adjustments as agreed between the parties) (the "**Aggregate Consideration**").

The Aggregate Consideration was arrived at on a willing buyer and willing seller basis, after taking into account, *inter alia*, (i) the estimated net asset value of PRE 1 and PKRT as at 31 December 2015 (subject to certain adjustments) as agreed between the parties to the SPA, (ii) the principal amount of the outstanding Junior Bonds, and (iii) the accrued interest in respect of such Junior Bonds for the period from 29 July 2015 to 15 January 2016. The Aggregate Consideration was satisfied entirely in cash on completion of the transfer of the Junior Bonds and the Pref-Shares.

Pursuant to the SPA, the Aggregate Consideration shall be adjusted upon completion of the audit on the completion financial statements of PRE1 (the "**Final Sales Price**"). The variance between the Final Sales Price and the Aggregate Consideration will be compensated by the Purchaser, if in excess, and by the Vendor, if in deficit, after taking into consideration the costs and expenses of the auditors appointed by PRE1.

The Group is expected to record a gain of S$8,522,000 before transaction costs. The proceeds from the Divestment will be used for working capital purposes of the Group.

As at 31 December 2015, the unaudited book value and the net tangible asset of the Junior Bonds and the Sale Shares were approximately S$7,493,000 and S$4.30.

3. RATIONALE FOR THE DIVESTMENT

The Company (through IPPL) subscribed for the Junior Bonds and the Pref-Shares in 2010 as part of its vertical integration strategy along the retail value chain by co-investing in certain commercial property projects with strategic partners. Apart from deriving income from the investment via regular interest income on the Junior Bonds and potential capital appreciation, the partnership also allowed the Company to strategically site outlets under its portfolio of food and beverages brands in the Property itself.

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.

4. 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 audited consolidated financial statements of the Group for the financial year ended 31 December 2014[1].

(a) Share Capital

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

1 The financial effects of the Divestment have been prepared based on the audited consolidated financial statements of the Group for the financial year ended 31 December 2014 as the financial results of the Group for the financial year ended 31 December 2015 have not been released.

(b) Net Tangible Assets per Share ("**NTA**")

Assuming that the Divestment was completed on 31 December 2014 and based on the Group's audited consolidated financial statements for the financial year ended 31 December 2014 ("**FY2014**"), the pro forma financial effects of the Divestment on the consolidated NTA of the Group are as follows:

	Before the Divestment	After the Divestment
NTA of the Group as at 31 December 2014 (S$'000)	108,053	116,575
Number of issued and paid-up Shares ('000)	281,890	281,890
NTA per Share for FY2014 (cents)	38.33	41.35

(c) Earnings Per Share ("**EPS**")

Assuming that the Divestment had been completed on 1 January 2014 and was funded by internal resources and bank financing, the impact of the Divestment on the EPS of the Group would be as follows:-

	Before the Divestment	After the Divestment
Profit after income tax and minority interests for FY2014 (S$'000)	12,194	20,716
Weighted average number of issued and paid-up Shares ('000)	281,687	281,687
EPS for FY2014 (cents)	4.33	7.35

5. RELATIVE FIGURES ON THE BASES SET OUT IN RULE 1006 OF THE SGX-ST LISTING MANUAL

Based on the latest announced unaudited financial information of the Group as at 30 September 2015, the relative figures for the Divestment computed on the bases set out in Rule 1006 of the Listing Manual of the Singapore Exchange Securities Trading Limited are as follows:

Rule 1006	Bases	Relative figure (%)
(a)	Net asset value of assets to be disposed of, as compared with the Group's net asset value. This basis is not applicable to an acquisition of assets	6.0%

(b)	Net profits attributable to the assets disposed of, compared with the Group's net profits	3.8%(1)
(c)	Aggregate value of the consideration to be received, compared with the Company's market capitalisation(2)	5.3%
(d)	Number of equity securities to be issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue	N.A.

Note:-

(1) Based on the unaudited consolidated financial statements of the Company for the period ended 30 September 2015, the net profits attributable to the Junior Bonds and Pref-Shares and the net profits of the Group are S$243,000 and S$6,456,000 respectively.

(2) The market capitalisation of the Company is based on 281,535,468 Shares in issue (excluding treasury shares) as at 14 January 2016 (being the market day immediately preceding the date of the SPA) and the weighted average price of the Shares transacted on the SGX-ST on the same date of S$1.0775.

6. INTEREST(S) OF DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the Directors or the substantial shareholders of the Company has any interest, direct or indirect, in the Divestment.

7. DIRECTOR'S SERVICE CONTRACTS

No person is proposed to be appointed as a director of the Company in relation to the Divestment or any other transactions contemplated in relation to the Divestment.

8. DOCUMENT FOR INSPECTION

A copy of the SPA is available for inspection at the registered office of the Company at 30 Tai Seng Street, BreadTalk IHQ #09-01, S(534013) during normal business hours for a period of 3 months from the date of this announcement.

By Order of the Board

Chan Ying Jian
Group CFO
17 January 2016