



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

RESPONSE TO SGX QUERIES

The Board of Directors ("**Board**") of BreadTalk Group Limited ("**Company**", together with its subsidiaries, "**Group**") refers to the Company's announcement dated 24 February 2020 titled "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" ("**Breach Announcement**"). The Board would like to respond to the following queries raised by the Singapore Exchange Securities Trading Limited ("**SGX-ST**") on 25 February 2020 as follows:

SGX Query 1

It is stated in the Fixed Notes Announcement that "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." In this regard, please disclose as to whether (i) noteholders and or the Trustee are required to take any action to call for an event of default; and (ii) the breach is capable of remedy and whether there is any remedy or grace period before an Event of Default is called. What are the implications of (i) the breach of the Financial Covenants and (ii) an Event of Default?

Company's response to SGX Query 1

As mentioned in the Breach Announcement, there had been a technical breach by the Company of the Relevant Financial Covenants. The breaches of the Relevant Financial Covenants are not capable of remedy as they are a result of the financial performance of the Company for FY2019 and, accordingly, any prospective changes to the financial performance of the Company will not remedy the breaches. The implication of the breaches of the Relevant Financial Covenants is that there is an occurrence of an Event of Default under Condition 10(b) of the Notes.

Upon the occurrence of an Event of Default, the Trustee, **at its discretion, may (but is not obliged to)** give notice in writing to the Company that the Notes are immediately repayable at their specified denomination or integral multiples thereof, together with accrued interest (an "**Acceleration**").

Under Clause 9.2 of the Trust Deed, the Trustee shall not be bound to take any steps (including, without limitation, giving notice of an Acceleration) to enforce the performance by the Company of any of the provisions in connection with the Notes unless (a) it shall have been so requested in writing by the holders of not less than 25 per cent. in principal amount of the Notes or so directed by an Extraordinary Resolution (as defined in the Trust Deed) and (b) it shall have been indemnified and/or secured and/or prefunded to its satisfaction by the holders of the Notes against all actions, proceedings, claims, demands. No holder of a Note shall be entitled to proceed directly against the Company to enforce the performance of any of the provisions in connection with the Notes unless the Trustee, having become bound as aforesaid to take proceedings, fails or neglects to do so within a reasonable period and such failure or neglect is continuing.

The Company has not, as at the time of this Announcement, received any notice of Acceleration from the Trustee. The Company is in contact with the Trustee and the Trustee is aware of the occurrence of the Event of Default.

As mentioned in the Breach Announcement, 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).

The Company wishes to reiterate from its Breach Announcement that the technical breach of the Relevant Financial Covenants and the Event of Default under Condition 10(b) of the Notes 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 Company has appointed United Overseas Bank Limited as Consent Solicitation Agent, with a view to engaging the holders of the Notes starting from the week of 2 March 2020 to address the aforesaid breaches.

On a slightly separate note, the Company would also like to highlight that BTG Holding Company Pte. Ltd. has provided a voluntary conditional cash offer (the “Offer”) for all of the issued ordinary shares in the Company, as further detailed in the announcement by the Company dated 24 February 2020 in relation to the Offer. Following the successful close of the Offer, the Company intends to be delisted from the SGX-ST and, accordingly, the ordinary shares of the Company will cease to be traded on the SGX-ST. In such event, the holders of the Notes shall have the option to require the Company to redeem their Notes at their specified denomination or integral multiples thereof, together with accrued interest in accordance with Condition 6(b)(ii) of the Notes. As such, the holders of the Notes have a built-in exit option should the delisting of the ordinary shares of the Company occur.

SGX Query 2

It is disclosed in the Financial Results Announcement that, “[technical] breach of similar financial covenants on certain bilateral bank loans whose financial covenants mirror that of the medium term note programme”. Please advise the implications of breaches of the financial covenants of the bank loans.

Company’s response to SGX Query 2

The financial covenants in our bank loans are similar to those in the medium term note programme. The Company has therefore, reclassified the affected bilateral term loans with the banks from non-current liabilities to current liabilities. However, efforts have already been underway by the management to engage the various principal bankers of the Company to seek their support. This is consistent with what was disclosed in the Breach Announcement, 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).” Till date, no bank has informed the Company of its intention to withdraw and terminate any of its financing lines that are extended and/or currently outstanding with the Company.

SGX Query 3

The Company's attention is drawn to Listing Rule 1303(3) which states that, "The Exchange may at any time suspend trading of the listed securities of an issuer where the issuer is unable to continue as a going concern or unable to demonstrate to the Exchange and its shareholders that it is able to do so". In view of the matters described in paragraphs 1 and 2 above, please disclose the Board of Directors' assessment as to whether the Company and Group can operate as a going concern and the bases for such an opinion.

Company's response to SGX Query 3

In view of our response to SGX Queries 1 and 2, barring any unforeseen circumstances or any subsequent worsening of the present adverse business and economic conditions, and based on information, conditions and events that are known and reasonably knowable at the date hereof, and an assessment of majority shareholders' and management's recovery plans to mitigate the effect of the aforesaid breaches (including waivers and amendments to the Relevant Financial Covenants) and management's plan to improve the financial performance of the Group's businesses, the Board is of the opinion that the Group can operate as a going concern for a reasonable period of time. The trading in the Company's securities will be suspended at any point in time should the Company and the Group no longer operate as a going concern. There is no certainty that the management's recovery plans to mitigate the effect of the aforesaid breaches and/or actions to address the breaches will be successful.

SGX Query 4

Please disclose the Board's confirmation with the listing rules and, in particular, Mainboard Rule 703.

Company's response to SGX Query 4

The Board confirms that it is in compliance with the listing rules of SGX-ST and, in particular, Mainboard Rule 703.

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

By Order of the Board

Shirley Tan Sey Liy
Company Secretary
26 February 2020