

LETTER DATED 22 MARCH 2019

THIS LETTER IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

This letter ("**Letter**") is circulated to the Shareholders (as defined herein) of BreadTalk Group Limited (Company Registration Number 200302045G) ("**Company**"), together with the Company's annual report for the financial year ended 31 December 2018 ("**Annual Report**"). The purpose of this Letter is to provide information to the Shareholders in relation to, and to seek Shareholders' approval for the proposed renewal of the Shareholders' general mandate for share purchase which is to be tabled at the annual general meeting of the Company to be held on 22 April 2019 at 9.30 am at 30 Tai Seng Street #09-01 BreadTalk IHQ, Singapore 534013 ("**Annual General Meeting**"). The Notice of the Annual General Meeting and the accompanying Proxy Form are enclosed with the Annual Report.

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

If you have sold or transferred all your shares, you should immediately forward this Letter, the Annual Report and the enclosed documents to the purchaser or to the bank, stockbroker or other agent through whom you effected the sale or transfer for onward transmission to the purchaser.

The Singapore Exchange Securities Trading Limited ("**SGX-ST**") assumes no responsibility for the correctness of any of the statements made, reports contained or opinions expressed in this Letter.



BREADTALK GROUP LIMITED
(Incorporated in the Republic of Singapore)
(Company Registration Number: 200302045G)

LETTER

IN RELATION TO

**THE PROPOSED RENEWAL OF THE SHAREHOLDERS' GENERAL MANDATE FOR
SHARE PURCHASE**

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DEFINITIONS

For the purposes of this Letter, the following definitions apply throughout where the context admits:

<i>“2018 AGM”</i>	:	The annual general meeting of the Company convened on 20 April 2018
<i>“2019 AGM” or “Annual General Meeting”</i>	:	The annual general meeting of the Company to be convened on 22 April 2019
<i>“ACRA”</i>	:	The Accounting and Corporate Regulatory Authority
<i>“associate(s)”</i>	:	Shall have the same meaning as ascribed to the term in the Listing Manual
<i>“associated companies”</i>	:	Shall have the same meaning as ascribed to the term in the Listing Manual
<i>“Annual Report”</i>	:	The annual report of the Company for the financial year ended 31 December 2018
<i>“Average Closing Price”</i>	:	The average of the closing market prices of the Shares over the last five (5) Market Days on which transactions in the Shares on the SGX-ST were recorded immediately preceding the date of the On-Market Purchase by the Company or, as the case may be, the date of making of the offer pursuant to the Off-Market Purchase, and deemed to be adjusted in accordance with the Listing Manual, for any corporate action which occurs after the relevant five (5) day period
<i>“Board of Directors” or “Board”</i>	:	The Board of Directors of the Company for the time being or such number of them as having authority to act for the Company as at the date of this Letter
<i>“CDP”</i>	:	The Central Depository (Pte) Limited
<i>“Company” or “BreadTalk”</i>	:	BreadTalk Group Limited
<i>“Companies Act”</i>	:	The Companies Act, Chapter 50 of Singapore, as may be amended or modified from time to time
<i>“Constitution”</i>	:	The constitution of the Company, as may be amended, supplemented or modified from time to time
<i>“controlling shareholders”</i>	:	Shall have the same meaning as ascribed to the term in the Listing Manual
<i>“Directors”</i>	:	The directors (including non-executive directors and independent directors) of the Company as at the date of this Letter
<i>“EPS”</i>	:	Earnings per Share
<i>“Group”</i>	:	The Company and its subsidiaries collectively
<i>“Latest Practicable Date”</i>	:	1 March 2019, being the latest practicable date prior to the printing of this Letter
<i>“Listing Manual”</i>	:	The listing manual of the SGX-ST, as amended from time to time
<i>“Letter”</i>	:	This Letter which is attached to the Annual Report to Shareholders dated 22 March 2019
<i>“Market Day”</i>	:	A day on which the SGX-ST is open for trading in securities
<i>“Market Price”</i>	:	The exercise price for each Share as fixed by the Committee as determined by reference to the daily official list or other publication published by the SGX-ST for the 5 consecutive Market Days immediately preceding the Offering Date

DEFINITIONS

“month”	: A calendar month
“NTA”	: Net tangible assets
“On-Market Purchase”	: Has the meaning ascribed to it in paragraph 2.3.3(i) of this Letter
“Off-Market Purchase”	: Has the meaning ascribed to it in paragraph 2.3.3(ii) of this Letter
“Securities Account”	: The securities accounts maintained by a Depositor with CDP, but does not include a securities sub-account maintained with a Depository Agent
“Securities and Futures Act”	: Securities and Futures Act, Chapter 289 of Singapore, as may be amended or modified from time to time
“SGX-ST”	: Singapore Exchange Securities Trading Limited
“Share Purchase Mandate”	: The proposed general mandate to authorise the Directors to purchase Shares on behalf of the Company in accordance with the terms set out in this Letter as well as the rules and regulations set forth in the Companies Act and the Listing Manual
“Shareholders”	: Registered holders of Shares except that where the registered holder of CDP, the term “ Shareholders ” shall, in relation to such Shares and where the context admits, mean the persons named as Depositors in the Depository Register and whose Securities Accounts maintained with CDP are credited with the Shares
“Shares”	: Ordinary shares in the capital of the Company
“subsidiary holdings”	: Shares referred to in Sections 21(4), 21(4B), 21(6A) and 21(6C) of the Companies Act
“Substantial Shareholder”	: A person who has an interest of not less than 5% of the issued voting shares of the Company
“Take-over Code”	: The Singapore Code on Take-overs and Mergers, as amended, modified or supplemented from time to time
“%” or “per cent”	: percentage or per centum

The terms “**Depositor**”, “**Depository Agent**” and “**Depository Register**” shall have the meanings ascribed to them respectively in Section 81SF of the Securities and Futures Act. The term “**treasury shares**” shall have the meaning ascribed to it in the Companies Act.

Words importing the singular shall, where applicable, include the plural and *vice versa*, and words importing the masculine gender shall, where applicable, include the feminine and the neuter genders and *vice versa*. References to persons shall, where applicable, include corporations and limited liability partnerships.

Any reference in this Letter to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any term defined under the Companies Act, Securities and Futures Act, the Listing Manual or any statutory modification thereof and used in this Letter shall, where applicable, have the meaning assigned to it under the Companies Act, Securities and Futures Act, the Listing Manual or any statutory modification thereof, as the case may be, unless otherwise provided.

Any reference to a time of day and dates in this Letter is made by reference to Singapore time and dates, unless otherwise stated.

BREADTALK GROUP LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration Number: 200302045G)

Directors:

Dr George Quek Meng Tong (Chairman)
Katherine Lee Lih Leng (Deputy Chairman)
Ong Kian Min (Lead Independent Director)
Dr Tan Khee Giap (Independent Director)
Chan Soo Sen (Independent Director)
Paul Charles Kenny (Non-Executive Director)

Registered Office:

30 Tai Seng Street
#09-01
BreadTalk IHQ
Singapore 534013

22 March 2019

To: The Shareholders of BreadTalk Group Limited

Dear Sir/Madam

THE PROPOSED RENEWAL OF THE SHAREHOLDERS' GENERAL MANDATE FOR SHARE PURCHASE.

1. INTRODUCTION

- 1.1 The Directors of the Company propose to table, for Shareholders' consideration and approval, the proposed renewal of the Share Purchase Mandate.
- 1.2 The purpose of this Letter is to explain the rationale for and provide information to Shareholders for the proposed renewal of the Share Purchase Mandate.
- 1.3 The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained in this Letter.
- 1.4 This Letter has been prepared solely for the purposes set out herein and may not be relied upon by any person (other than the Shareholders to whom this Letter is dispatched by the Company) or for any other purpose.

2. THE PROPOSED RENEWAL OF THE SHARE PURCHASE MANDATE

2.1 The Rationale

The Directors constantly seek to increase Shareholders' value and to improve, inter alia, the return on equity of the Group. The Share Purchase Mandate will give the Company the flexibility to undertake purchases of its Shares at any time, subject to market conditions and funding arrangements, during the period when the Share Purchase Mandate is in force.

Share buyback at the appropriate price level is one of the ways through which the return on equity of the Group may be enhanced. It provides the Company with an easy mechanism to facilitate the return of surplus cash over and above the ordinary capital requirements in an expedient, effective and cost efficient manner. It also allows the Directors to exercise control over the Company's share capital structure and may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the EPS and/or NTA per Share of the Company.

The Directors further believe that the share buyback by the Company will help mitigate short-term market volatility, offset the effects of short-term share price speculation and bolster Shareholders' confidence.

The Directors, when approving any share buyback pursuant to the Share Purchase Mandate, will take into account the impact the share buyback may have on the liquidity of the Shares. The Directors are committed to ensure that any share buyback by the Company is in the best interests of the Company and will not have any material adverse impact on the free float, liquidity and/or orderly trading of the Shares. The Directors are also committed to ensure that

the proposed Share Purchase Mandate and any share buyback by the Company do not contravene any regulation in the Constitution or any law or regulation governing the Company.

While the proposed Share Purchase Mandate would authorise a purchase or acquisition of Shares of up to ten per cent (10.00%) of the issued share capital of the Company excluding treasury shares and subsidiary holdings as at the date of the Annual General Meeting at which the Share Purchase Mandate is approved, Shareholders should note that purchases and acquisitions of Shares pursuant to the Share Purchase Mandate might not be carried out to the full ten per cent (10.00%) limit as authorised and no purchase or acquisition of Shares would be made in circumstances which would or may have a material adverse effect on the financial condition or position of the Company or the Group.

2.2 The Mandate

Approval was sought from Shareholders at the 2018 AGM for the renewal of the Share Purchase Mandate for the purchase or acquisition by the Company of its issued Shares. With the approval, the Share Purchase Mandate took effect from the date of the 2018 AGM and will continue in force until the date of the 2019 AGM, or such date as the next annual general meeting is required to be held by law, unless prior thereto, share buybacks are carried out to the full extent mandated, or the Share Purchase Mandate is revoked or varied in any general meeting of the Company. The Share Purchase Mandate will be put to Shareholders for renewal at each subsequent annual general meeting of the Company whereupon it will lapse, unless it is renewed at such meeting.

2.3 Terms of the Mandate

The authority and limitations placed on purchases or acquisitions of Shares by the Company under the Share Purchase Mandate, if renewed at the 2019 AGM, are summarised as follows:

2.3.1 Maximum Number of Shares

Only Shares which are issued and fully paid-up may be purchased or acquired by the Company. The total number of Shares which may be purchased or acquired pursuant to the Share Purchase Mandate shall not exceed ten per cent (10.00%) of the issued Shares of the Company as at the date of the annual general meeting of the Company held where the resolution authorising the Share Purchase Mandate is passed, unless the Company has effected a reduction of its share capital in accordance with the applicable provisions of the Companies Act in which event the issued Shares shall be taken to be the amount as altered, excluding any treasury shares and subsidiary holdings that may be held by the Company. Under the Companies Act, any Shares which are held as treasury shares will be disregarded for the purpose of computing the ten per cent (10.00%) limit.

For illustrative purposes only, on the basis of 563,277,100 Shares (being the total number of Shares excluding 509,376 treasury shares and subsidiary holdings) as at the Latest Practicable Date, and assuming that no further Shares are issued on or prior to 2019 AGM, not more than 56,327,710 Shares (representing ten per cent (10.00%) of the issued ordinary share capital of the Company excluding treasury shares and subsidiary holdings as at that date) may be purchased or acquired by the Company pursuant to the proposed Share Purchase Mandate.

2.3.2 Duration of Authority

The Company may purchase its Shares at any time and from time to time, on and from the date of the 2019 AGM at which the Share Purchase Mandate is approved, up to the earliest of:

- (i) the date on which the next annual general meeting of the Company is held or required by law to be held;
- (ii) the date on which the authority conferred by the Share Purchase Mandate is varied or revoked by Shareholders in a general meeting; or
- (iii) the date on which the share buyback has been carried out to the full extent mandated.

The Share Purchase Mandate may be renewed at each annual general meeting or other general meeting of the Company.

2.3.3 Manner of Purchase

Purchases or acquisitions of Shares may be made by way of, *inter alia*:

- (i) an on-market purchase (“**On-Market Purchase**”) transacted on the SGX-ST through the SGX-ST’s trading system or, as the case may be, any other securities exchange on which the Shares may, for the time being, be listed; and/or
- (ii) an off-market purchase (“**Off-Market Purchase**”), otherwise than on the SGX-ST, effected in accordance with an equal access scheme or schemes, as may be determined or formulated by the Directors as they may consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act and the Listing Manual.

In an Off-Market Purchase, the Directors may impose such terms and conditions which are not inconsistent with the Share Purchase Mandate, the Listing Manual and the Companies Act, as they consider fit in the interests of the Company in connection with or in relation to any equal access scheme or schemes.

Under the Companies Act, an equal access scheme must satisfy all the following conditions:

- (i) offers for the purchase or acquisition of Shares shall be made to every person who holds Shares to purchase or acquire the same percentage of their Shares;
- (ii) all of those person shall be given a reasonable opportunity to accept the offers made; and
- (iii) the terms of all the offers shall be the same, except that there shall be disregarded:
 - (a) differences in consideration attributable to the fact that the offers may relate to Shares with different accrued dividend entitlement;
 - (b) if applicable, differences in consideration attributable to the fact that the offers relate to Shares with different amounts remaining unpaid; and
 - (c) differences in the offers introduced solely to ensure that each person is left with a whole number of Shares.

In addition, under the Listing Manual, in making an Off-Market Purchase, the Company must issue an offer document to all Shareholders containing at least the following information:

- (i) the terms and conditions of the offer;
- (ii) the period and procedures for acceptances;
- (iii) the reasons for the proposed share buyback;
- (iv) the consequences, if any, of the share buyback by the Company, that will arise under the Take-over Code or other applicable take-over rules;
- (v) whether the share buyback, if made, will have any effect on the listing of the Shares on the SGX-ST;
- (vi) details of any share buyback made by the Company in the previous twelve (12) months (whether On-Market Purchases or Off-Market Purchases), giving the total number of Shares purchased, the purchase price per Share or the highest and lowest prices paid for the purchases, where relevant, and the total consideration paid for the purchases; and
- (vii) whether the shares purchased by the issuer will be cancelled or kept as treasury shares.

2.3.4 Maximum Purchase Price

The purchase price per Share (excluding brokerage, stamp duties, commission, applicable goods and services tax, clearance fees and other related expenses) to be paid for the Shares purchased or acquired shall be determined by the Directors and shall not exceed the maximum price as set out below (“**Maximum Price**”):

- (i) in the case of an On-Market Purchase, 105.00% of the Average Closing Price of the Shares; and
- (ii) in the case of an Off-Market Purchase pursuant to an equal access scheme, 110.00% of the Average Closing Price of the Shares.

2.4 Status of Purchased Shares

Any Share, unless held by the Company as a Treasury Share, is deemed cancelled immediately upon purchase and all rights and privileges attached to that Share will expire on cancellation. All cancelled Shares will be automatically delisted by the SGX-ST, and (where applicable) all certificates in respect thereof will be cancelled and destroyed by the Company as soon as reasonably practicable following settlement of any such purchase. Accordingly, the total number of issued Shares will be diminished by the number of Shares purchased or acquired which are cancelled and not held as treasury shares.

2.5 Treasury Shares

Any Share which is purchased or acquired by the Company may be held or dealt with as treasury shares. Where the Company holds the purchased Shares as treasury shares, the Company may deal with such treasury shares in such manner as may be permitted by and in accordance with the Companies Act. Some of the provisions on treasury shares under the Companies Act are summarised below:

2.5.1 Maximum Holdings

The number of Shares held as treasury shares cannot at any time exceed ten per cent (10.00%) of the total number of issued Shares.

2.5.2 Voting and Other Rights

The Company shall be registered as a member in respect of the treasury shares but the Company shall not have the right to exercise any right in respect of the treasury shares, including the right to attend or vote at meetings or to receive dividends in respect of such treasury shares.

However, the allotment of Shares as fully paid bonus shares in respect of treasury shares is allowed. Also, a subdivision or consolidation of any Treasury Share into treasury shares of a greater or smaller number is allowed so long as the total value of the treasury shares after the subdivision or consolidation is the same as before.

2.5.3 Disposal and Cancellation

Where Shares are held by the Company as treasury shares, the Company may at any time:

- (i) sell the treasury shares for cash;
- (ii) transfer the treasury shares for the purposes of or pursuant to any share scheme, whether for its employees, directors or other persons;
- (iii) transfer the treasury shares as consideration for the acquisition of shares in or assets of another company or assets of a person;
- (iv) cancel the treasury shares; or
- (v) sell, transfer or use the treasury shares for such other purposes as the Minister for Finance may by order prescribe.

2.6 Source of Funds

Under the Companies Act, the Company may purchase its own Shares out of capital, as well as from its profits, provided that the Company is solvent. For this purpose, pursuant to the Companies Act, the Company is solvent if at the date of payment made for any such purchase of Shares:

- (i) there is no ground on which the Company could be found to be unable to pay its debts;
- (ii) if –
 - (a) it is intended to commence winding up of the Company within the period of twelve (12) months immediately after the date of the payment, the Company will be able to pay its debts in full within the period of twelve (12) months after the date of commencement of the winding up; or
 - (b) it is not intended so to commence winding up, the Company will be able to pay its debts as they fall due during the period of twelve (12) months immediately after the date of the payment; and
- (iii) the value of the Company's assets is not less than the value of its liabilities (including contingent liabilities) and will not, after the purchase or acquisition of Shares, become less than the value of its liabilities (including contingent liabilities).

The Company intends to use its internal sources of funds or external borrowings or a combination of both, to finance any purchase or acquisition of the Shares pursuant to the Share Purchase Mandate. The Directors do not propose to exercise the Share Purchase Mandate in a manner and to such extent that it would materially affect the working capital requirements and/or gearing of the Group.

2.7 Financial Effects

The financial effects on the Company and the Group arising from purchases or acquisitions of Shares which may be made pursuant to the Share Purchase Mandate will depend on, *inter alia*, the aggregate number of Shares purchased or acquired, the consideration paid at the relevant time, the amount (if any) borrowed by the Company or the Group to fund the purchases or acquisitions, whether the Shares are purchased out of capital or profits of the Company and whether the Shares purchased or acquired are held in treasury or cancelled. It is therefore not possible to accurately calculate or quantify the impact at this point of time.

2.7.1 Purchase or Acquisition out of Profits or Capital

Where the consideration paid by the Company for the purchase or acquisition of the Shares is made out of profits, such consideration (excluding brokerage, stamp duties, commission, applicable goods and services tax, clearance fees and other related expenses) will correspondingly reduce the amount available for the distribution of cash dividends by the Company.

Where the consideration paid by the Company for the purchase or acquisition of the Shares is made out of capital, the amount available for distribution of cash dividends by the Company will not be reduced.

Where the purchase of Shares is financed through internal sources of funds, it will reduce the cash reserves of the Group and the Company, and thus the current assets and shareholders' funds of the Group and the Company. This will result in an increase in the gearing ratio of the Group and the Company and a decline in the current ratios of the Group and the Company. The actual impact on the gearing and current ratios will depend on the number of Shares purchased or acquired and the prices at which the Shares are purchased or acquired.

Where the purchase or acquisition of Shares is financed through external borrowings, there would be an increase in the gearing ratio of the Group and the Company, and a decline in the

current ratios and shareholders' funds of the Group and the Company, with the actual impact dependent on the number of Shares purchased or acquired and the prices at which the Shares are purchased or acquired.

2.7.2 Maximum Price Paid for Purchase of Shares as at the Latest Practicable Date

Assuming that at the Latest Practicable Date, the Company purchased or acquired the maximum of 56,327,710 Shares at the Maximum Price, the maximum amount of funds required for the purchase or acquisition of Shares (excluding brokerage, stamp duties, commission, applicable goods and services tax, clearance fees and other related expenses) would be:

- (i) in the case of an On-Market Purchase of the Shares, approximately S\$51,652,510 based on S\$0.917 for each Share (being the price equivalent to five per cent (5.00%) above the Average Closing Price of the Shares; and
- (ii) in the case of an Off-Market Purchase of the Shares, approximately S\$54,074,602 based on S\$0.96 for each Share (being the price equivalent to ten per cent (10.00%) above the Average Closing Price of the Share).

The Average Closing Price of the Shares traded on the SGX-ST for the five (5) consecutive Market Days immediately preceding the Latest Practicable Date was S\$0.8730 for each Share.

2.7.3 Whether the Shares are Cancelled or Held in Treasury

In the case where the Company chooses not to hold the purchased Shares in treasury, such Shares shall be cancelled. The Company shall:

- (i) reduce the amount of its share capital where the Shares were purchased or acquired out of the capital of the Company;
- (ii) reduce the amount of its profits where the Shares were purchased or acquired out of the profits of the Company; or
- (iii) reduce the amount of its share capital and profits proportionately where the Shares were purchased or acquired out of both the capital and profits of the Company,

by the total amount of the purchase price paid by the Company for the Shares cancelled. Where the purchased Shares are held in treasury, the total issued Shares of the Company will remain unchanged.

2.7.4 Pro forma Financial Effects

For illustrative purposes only, Table A below lists four (4) possible scenarios of purchases or acquisitions of Shares by the Company pursuant to the Share Purchase Mandate, based on the following assumptions:-

- (i) the Share Purchase Mandate had been effective on the Latest Practicable Date and the Company had acquired or purchased on the Latest Practicable Date the maximum number of Shares at the Maximum Price as stated in paragraph 2.7.2 above, subject always that the Company shall only cancel such Shares up to the amount of its share capital, being S\$33,303,000 as at 31 December 2018;
- (ii) the Company has 563,277,100 issued and paid-up Shares excluding treasury shares and subsidiary holdings as at the Latest Practicable Date, and no additional Shares were issued after the Latest Practicable Date pursuant to the exercise;
- (iii) the Company has as at 31 December 2018:
 - (a) issued share capital of approximately S\$33,303,000; and
 - (b) cash and cash equivalents of approximately S\$184,975,000; and

- (iv) the consideration for the purchase or acquisition of the Shares (excluding brokerage, stamp duties, commission, applicable goods and services tax, clearance fees and other related expenses) is financed by internal sources of funds,

and based on the audited financial statements of the Group for the financial year ended 31 December 2018, the effects of the purchase or acquisition of such Shares by the Company on the financial position of the Company and the Group are as follows:

Table A

Scenario of purchase or acquisition of Shares

The following four (4) possible scenarios in Table A are purchases or acquisition of Shares by the Company pursuant to the Share Purchase Mandate, with the pro-forma financial effects shown in detail in Table B below:

Share Purchase					Maximum Number of Shares to be Purchased	
Scenario	Out of	Type	Whether held as treasury shares or Cancelled	Maximum Price per Share (S\$)	Number of Shares	Equivalent Percentage of Issued Shares
1(A)	Capital	Market	Held as treasury shares	0.9170	56,327,710	10.00%
1(B)	Capital	Market	Cancelled	0.9170	36,317,339	6.45% ⁽¹⁾
1(C)	Capital	Off-Market	Held as treasury shares	0.9600	56,327,710	10.00%
1(D)	Capital	Off-Market	Cancelled	0.9600	34,690,625	6.16% ⁽¹⁾

Notes:

⁽¹⁾ Based on the assumption that that the Company shall only cancel such Shares up to the amount of its share capital, being S\$33,303,000 as at 31 December 2018

Table B

Pro-forma financial effects on the Group for Scenarios of purchases or acquisition of Shares by the Company out of capital

	Per Consolidated Financial Statements as at 31 December 2018	Pro-forma Financial Effects as at 31 December 2018 for Scenarios in Table A			
		1(A)	1(B)	1(C)	1(D)
Share Capital (\$'000) ⁽¹⁾	33,303	33,303	-	33,303	-
Reserves (\$'000)	100,604	100,604	100,604	100,604	100,604
Minority Interest (\$'000)	29,076	29,076	29,076	29,076	29,076
Treasury Shares (\$'000)	(247)	(51,900)	(247)	(54,322)	(247)
Total Equity (\$'000)	162,736	111,083	129,433	108,661	129,433
NTA (\$'000)	127,589	75,936	94,286	73,514	94,286
Current Assets (\$'000) ⁽²⁾	268,390	216,737	235,087	214,315	235,087
Current Liabilities (\$'000)	304,934	304,934	304,934	304,934	304,934
Number of Shares	563,277,100	506,949,390	526,959,761	506,949,390	528,586,475
Financial Ratios					
NTA per Share (cents)	22.65	14.98	17.89	14.50	17.84
Current Ratio (times)	0.88	0.71	0.77	0.70	0.77

Notes:

(1) Subject always that the Company shall only acquire or purchase Shares up to the amount of its share capital, being S\$33,303,000 as at 31 December 2018.

(2) Assuming the share purchase is funded fully by cash.

Shareholders should note that the financial effects set out above, based on the respective aforementioned assumptions, are for illustration purposes only. In particular, it is important to note that the above analysis is based on historical audited financial statements as at 31 December 2018, save for the number of Shares, which is based on the number of Shares as at the Latest Practicable Date, and is not necessarily representative of future financial performance.

Although the Share Purchase Mandate would authorise the Company to buy back up to 56,327,710 Shares representing ten per cent (10.00%) of the Company's current issued Shares, the Company may not necessarily buy back all 56,327,710 Shares.

In particular, the maximum number of Shares that the Company may purchase under the Companies Act is limited by the solvency requirements set out in the Companies Act, as described in paragraph 2.6 of this Letter.

2.8 Listing Rules and Other Reporting Requirements

2.8.1 Price of On-Market Purchase

The Listing Manual specifies that a listed company may purchase its shares by way of On-Market Purchases at a price per share which is not more than five per cent (5.00%) above the Average Closing Price. The Maximum Price for a Share in relation to On-Market Purchases by the Company, referred to in paragraph 2.3.4 of this Letter, conforms to this restriction.

2.8.2 Notification to SGX-ST

The Listing Manual specifies that a listed company shall notify the SGX-ST of all purchases or acquisitions of its shares no later than 9.00 a.m.:

- (a) in the case of an On-Market Purchase, on the Market Day following the day of purchase or acquisition of any of its shares; and
- (b) in the case of an Off-Market Purchase under an equal access scheme, on the second Market Day after the close of acceptances of the offer.

The notification of such purchase or acquisition of shares to the SGX-ST shall be in such form and shall include such details that the SGX-ST may prescribe, such as details of the total number of shares purchased, the purchase price per share or the highest and lowest price paid for such shares, as applicable.

2.8.3 Off-Market Purchase

For an Off-Market Purchase, the Listing Manual requires that the listed company issue an offer document to all shareholders containing the information as set out in paragraph 2.3.3 of this Letter.

2.8.4 Insider Trading

While the Listing Manual does not expressly prohibit the purchase of shares by a listed company during any particular time or times, because the listed company would be considered an “insider” in relation to any purchase of its shares, the Company will not purchase or acquire any Shares pursuant to the Share Purchase Mandate after a price sensitive development has occurred or has been the subject of a consideration and/or a decision of the Board until such time as the price sensitive information has been publicly announced. In particular, in line with the best practices guide on securities dealings issued by the SGX-ST, the Company will not purchase or acquire any Shares during the period commencing two (2) weeks and one (1) month immediately preceding the announcement of the Company’s quarterly and full year financial statements respectively.

2.8.5 Listing Status

The Listing Manual requires a listed company to ensure that at least ten per cent (10.00%) of the total number of issued Shares excluding treasury shares (excluding preference shares and convertible equity securities) in a class that is listed is at all times held by public shareholders. The “**public**”, as defined under the Listing Manual, are persons other than the directors, chief executive officer, substantial shareholders, or controlling shareholders of the Company and its subsidiaries, as well as associates of such persons.

As at the Latest Practicable Date, there are approximately 147,988,460 Shares in the hands of 2,553 public Shareholders, representing 26.27% of the issued share capital of the Company excluding treasury shares. Assuming that the Company were to purchase its Shares from public Shareholders through an On-Market Purchase up to the full ten per cent (10.00%) limit excluding treasury shares and Subsidiary Holdings pursuant to the Share Purchase Mandate and then cancel such Shares, the number of Shares in the hands of the public would be reduced to 91,660,750 Shares, representing 17.39% of the reduced issued share capital of the Company excluding treasury shares.

Accordingly, the Company is of the view that there is a sufficient number of Shares in issue held by public Shareholders which would permit the Company to undertake purchases or acquisitions of its Shares through On-Market Purchases up to the full ten per cent (10.00%) limit excluding treasury shares and Subsidiary Holdings pursuant to the proposed Share Purchase Mandate without affecting the listing status of the Shares on the SGX-ST.

In undertaking any purchase of its Shares, the Directors will use their best efforts to ensure that, notwithstanding such purchases, a sufficient float in the hands of the public will be maintained so that purchases or acquisitions of the Shares will not adversely affect the listing status of the Shares on the SGX-ST, cause market illiquidity or adversely affect the orderly trading of the Shares or financial condition of the Company.

2.8.6 Reporting Requirements under the Companies Act

- (i) Within 30 days of the passing of a Shareholders' resolution to approve the Share Purchase Mandate, the Company shall lodge a copy of such resolution with ACRA.
- (ii) The Company shall notify ACRA within 30 days of a purchase of Shares on the SGX-ST or otherwise. Such notification shall include details of the date of the purchase, the total number of Shares purchased by the Company, the number of Shares cancelled, the number of Shares held as treasury shares, the Company's issued share capital before the purchase, the Company's issued share capital after the purchase, the amount of consideration paid by the Company for the purchase, whether Shares were purchased out of the profits or the capital of the Company, and such other particulars as may be required in the prescribed form.
- (iii) Within 30 days of the cancellation or disposal of Treasury Share in accordance with the provisions of the Companies Act, the Directors shall notify ACRA of such cancellation or disposal of treasury shares in the prescribed form.

2.9 Take-Over Implications

The take-over implications arising from any purchase or acquisition by the Company of its Shares are set out below:

2.9.1 Obligation to Make a Take-over Offer

If, as a result of any purchase or acquisition by the Company of its Shares, a Shareholder's proportionate interest in the voting capital of the Company increases, such increase will be treated as an acquisition for the purposes of Rule 14 of the Take-over Code ("**Rule 14**"). Under Rule 14, a Shareholder and persons acting in concert with the Shareholder will incur an obligation to make a mandatory take-over offer if, inter alia, he and the persons acting in concert with him increase their voting rights in the Company to 30.00% or more or, if they, together holding between 30.00% and 50.00% of the Company's voting rights, increase their voting rights in the Company by more than one per cent (1.00%) in any period of six (6) months.

2.9.2 Persons Acting in Concert

Under the Take-over Code, persons acting in concert comprise individuals or companies who, pursuant to an agreement or understanding (whether formal or informal), co-operate, through the acquisition by any of them of shares in a company to obtain or consolidate effective control of that company. Unless the contrary is established, the following persons will be presumed to be acting in concert, including:

- (i) a company with any of its directors (together with their close relatives, related trusts as well as companies controlled by any of the directors, their close relatives and related trusts);
- (ii) a company, its parent, subsidiaries and fellow subsidiaries, and their associated companies and companies of which such companies are associated companies, and any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the aforesaid in this paragraph 2.9.2(ii) for the purchase of voting rights, all with each other;

- (iii) a company with any of its pension funds and employee share schemes;
- (iv) a person with any investment company, unit trust or other fund whose investment such person manages on a discretionary basis, but only in respect of the investment account which such person manages;
- (v) a financial or other professional adviser, including a stockbroker, with its client in respect of the shareholdings of the adviser and persons controlling, controlled by or under the same control as the adviser, and all the funds which the adviser manages on a discretionary basis, where the shareholdings of the adviser and any of those funds in the client total 10.0% or more of the client's equity share capital;
- (vi) directors of a company (together with their close relatives, related trusts and companies controlled by any of such directors, their close relatives and related trusts) which is subject to an offer or where the directors have reason to believe a bona fide offer for their company may be imminent;
- (vii) partners; and
- (viii) an individual, his close relatives, his related trusts, any person who is accustomed to act in accordance with his instructions, companies controlled by any of the above, and any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the aforesaid persons in this paragraph 2.9.2(viii) for the purchase of voting rights, all with each other.

For this purpose, a company is an "associated company" of another company if the second company owns or controls at least 20.00% but not more than 50.00% of the voting rights of the first-mentioned company.

Consequently, a director and persons acting in concert (as such term is defined in the Take-over Code) with him could, depending on the level of increase in his or their interest in the company, become obliged to make a mandatory offer in accordance with Rule 14 as a result of the company's purchase or acquisition of its shares.

2.9.3 Effect of Rule 14 and Letter 2 of the Take-over code

Appendix 2 of the Take-over Code contains the Share Buy-back Guidelines Note. In general terms, the effect of Rule 14 and Appendix 2 is that, unless exempted, the Directors and persons acting in concert with them will incur an obligation to make a take-over offer under Rule 14:

- (i) if, as a result of the Company purchasing or acquiring its shares, the voting rights of such Directors and their concert parties would increase to 30.00% or more; or
- (ii) in the case of the voting rights of such Directors and their concert parties falling between 30.00% and 50.00% of the Company's voting rights, such voting rights would increase by more than one per cent (1.00%) in any period of six (6) months.

In calculating the percentage of voting rights of such Directors and their concert parties, treasury shares shall be excluded.

Additionally, under Appendix 2 of the Take-over Code, a Shareholder not acting in concert with the Directors will not be required to make a take-over offer under Rule 14 if, as a result of the Company purchasing or acquiring its shares, the voting rights of such Shareholder would increase to 30.00% or more, or if such Shareholder holds between 30.00% and 50.00% of the Company's voting rights, the voting rights of such Shareholder would increase by more than one per cent (1.00%) in any period of six (6) months. Such Shareholder need not abstain from voting in respect of the resolution authorising the Share Purchase Mandate.

As at the Latest Practicable Date, Dr George Quek Meng Tong and Katherine Lee Lih Leng each hold 191,375,320 and 104,830,040 Shares respectively, representing approximately 33.98% and 18.61% of the total issued share capital excluding treasury shares respectively. In aggregate, they hold 296,205,360 Shares representing approximately 52.59% shareholding interest in the Company.

Based on the direct holdings of Shares of Dr George Quek Meng Tong and Katherine Lee Lih Leng as at the Latest Practicable Date, and assuming that:

- (i) there is no change in their direct holdings of Shares between the Latest Practicable Date and the date of the Annual general Meeting; and
- (ii) Dr George Quek Meng Tong and Katherine Lee Lih Leng do not sell or otherwise dispose of their Shares,

their respective holdings of Shares as at the date of the Annual General Meeting and after the purchase by the Company of ten per cent (10.00%) of the Shares excluding treasury shares and Subsidiary Holdings pursuant to the Share Purchase Mandate, where they are deemed cancelled, are as follows:

	Before Share Purchase (as at date of Annual General Meeting)		After Share Purchase	
	Shares	%	Shares	%
Dr George Quek Meng Tong	191,375,320	33.98	191,375,320	37.75
Katherine Lee Lih Leng	104,830,040	18.61	104,830,040	20.68
Total shareholding	296,205,360	52.59	296,205,360	58.43

Therefore, as at the Latest Practicable Date, Dr George Quek Meng Tong and Katherine Lee Lih Leng have a combined shareholding interest of approximately 52.59% in the Company and would not incur an obligation to make a mandatory general offer under Rule 14 and Appendix 2 of the Take-over Code to other Shareholders as a result of the Company purchasing or acquiring its Shares under the Share Purchase Mandate. The Directors are not aware of any Shareholder and/or potential Shareholder(s) who may have to make a general offer to the other Shareholders as a result of a purchase of Shares by the Company pursuant to this proposed Share Purchase Mandate.

Shareholders who are in doubt as to their obligations, if any, to make a mandatory general offer under the Take-over Code as a result of purchases or acquisitions of Shares by the Company pursuant to the Share Purchase Mandate, are advised to consult their professional advisers and/or the Securities Industry Council and/or other relevant authorities at the earliest opportunity before they acquire any Shares during the period when the Share Purchase Mandate is in force.

2.10 Shares Purchased by the Company

In the last twelve (12) months preceding the Latest Practicable Date, the Company has not bought back any Shares.

2.11 Tax Implications

Shareholders who are in doubt as to their respective tax positions or the tax implications of a purchase or acquisition of Shares by the Company or who may be subject to tax whether in or outside Singapore should consult their own professional advisers.

3. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, the interests of Directors and substantial shareholders of the Company in the Shares (as recorded in the Company's register of Directors' interests and register of substantial shareholders' interests respectively) are as follows:

Directors	Number of Shares				Number of Shares comprised in outstanding share options ⁽²⁾ /awards
	Direct Interest	% ⁽¹⁾	Deemed Interest	% ⁽¹⁾	
Dr George Quek Meng Tong	191,375,320	33.98	104,830,040	18.61	-
Katherine Lee Lih Leng	104,830,040	18.61	191,375,320	33.98	-
Ong Kian Min	240,000	0.04	-	-	-
Dr Tan Khee Giap	-	-	-	-	-
Chan Soo Sen	-	-	-	-	-
Paul Charles Kenny	-	-	-	-	-

Notes:

- (1) The percentage is calculated based on the total issued and paid-up share capital of 563,277,100 Shares (being the total number of Shares excluding 509,376 treasury shares) as at the Latest Practicable Date.
- (2) As at the Latest Practicable Date, there is no outstanding option issued.

Substantial Shareholders	Direct Interest		Deemed Interest	
	Shares	%	Shares	%
Dr George Quek Meng Tong ^(a)	191,375,320	33.98	104,830,040	18.61
Katherine Lee Lih Leng ^(a)	104,830,040	18.61	191,375,320	33.98
Primacy Investment Limited	78,927,000	14.01	-	-
Paradice Investment Management LLC ^(b)	-	-	35,630,448	6.33
PIM US Pty Ltd (as trustee of PIM US Unit Trust) ^(c)	-	-	35,630,448	6.33
PFH (NSW) Pty Ltd (as trustee of Paradice Family Trust) ^(d)	-	-	35,630,448	6.33

Notes:

- (a) Katherine Lee Lih Leng is the spouse of Dr George Quek Meng Tong. Saved as disclosed above, there are no family relationship among our Directors and Substantial Shareholders.
- (b) Paradice Investment Management LLC ("**Paradice LLC**") is a fund manager in the United States which manages various individual client portfolios under the "Global Small Mid Cap" Strategy. As fund manager, Paradice LLC has discretion and authority over the sale and purchase of the abovementioned Shares, and is also entitled to exercise the votes attached to those Shares on behalf of the underlying investor. Therefore, Paradice LLC has deemed interests in the abovementioned Shares.
- (c) PIM US Pty Ltd is the appointed trustee of PIM US Unit Trust ("**Trust**"), and holds the assets of the Trust for the benefit of the Trust's unit holders, which are all the shares in Paradice LLC, who is a fund manager in the United States, managing individual client portfolios, which includes shares in the Company. Paradice LLC has the discretion and authority over the sale and purchase, and also the ability to exercise votes attached to the shares in the Company, and therefore has deemed interest in the shares.
- (d) PFH (NSW) Pty Ltd is the appointed trustee of the Paradice Family Trust ("**Paradice Family Trust**") and has legal title to the assets of the Paradice Family Trust, which includes shares in Paradice investment Management Pty Ltd ("**PIMPL**"). PFH (NSW) Pty Ltd (as trustee of Paradice Family Trust) is entitled to exercise or control the exercise of not less than 20% of the votes attached to the voting shares in PIMPL, the sole shareholder of PIM US Pty Ltd.

Save as disclosed above, none of the Directors or substantial shareholders of the Company has any interest, direct or indirect, in the Shares.

4. DIRECTORS' RECOMMENDATION

For the reasons set out in paragraph 2 above, the Directors are of the opinion that the proposed renewal of the Share Purchase Mandate is in the interest of the Company and accordingly recommend that the Shareholders vote in favour of the resolution relating to this matter to be proposed at the Annual General Meeting as set out in the Notice of Annual General Meeting on pages 200 to 205 of this Annual Report.

5. INSPECTION OF DOCUMENTS

Copies of the following documents are available for inspection at the office of the Company's registered office at 30 Tai Seng Street, #09-01, BreadTalk IHQ, Singapore 534013, during normal business hours from the date hereof up to and including the date of the AGM:

- (a) the Constitution of the Company; and
- (b) the Annual Report of the Company for the financial year ended 31 December 2018.

6. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Letter and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Letter constitutes full and true disclosure of all material facts about the proposed Share Purchase Mandate, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Letter misleading. Where information in the Letter has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Letter in its proper form and context.

Yours faithfully
For and on behalf of the Board of Directors of
BreadTalk Group Limited

Dr George Quek Meng Tong
Chairman

