

BREADTALK GROUP LIMITED

Financial Statement and Dividend Announcement For The First Quarter Ended 31 March 2013

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

1(a) An income statement and statement of comprehensive income or a statement of comprehensive income (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year

The Board of Directors of BreadTalk Group Limited is pleased to announce the consolidated results of the Group for the first quarter ended 31 March 2013. The figures presented below have not been audited.

	Group		Increase/ (Decrease)
	1Q 2013 \$000	1Q 2012 \$000	
Revenue	120,278	106,101	13.4%
Cost of sales	<u>(55,124)</u>	<u>(48,480)</u>	<u>13.7%</u>
Gross profit	65,154	57,621	13.1%
Other income	1,558	2,317	-32.8%
Interest income	416	329	26.4%
Distribution and selling expenses	(50,281)	(43,818)	14.7%
Administrative expenses	(12,941)	(13,673)	-5.4%
Interest expense	<u>(513)</u>	<u>(217)</u>	<u>136.4%</u>
Profit before tax and share of results of joint ventures	3,393	2,559	32.6%
Share of results of joint ventures	<u>236</u>	<u>120</u>	<u>96.7%</u>
Profit before tax	3,629	2,679	35.5%
Taxation	<u>(1,575)</u>	<u>(1,334)</u>	<u>18.1%</u>
Profit after tax	<u><u>2,054</u></u>	<u><u>1,345</u></u>	<u><u>52.7%</u></u>
Attributable to:			
Shareholders of the Company	1,617	1,407	14.9%
Non-controlling interests	<u>437</u>	<u>(62)</u>	N.M.
	<u><u>2,054</u></u>	<u><u>1,345</u></u>	<u><u>52.7%</u></u>
Other comprehensive income:			
Net gain/(loss) on available-for-sale financial assets	22	(196)	N.M.
Foreign currency translation	<u>327</u>	<u>(501)</u>	<u>N.M.</u>
Other comprehensive income for the period, net of tax	<u>349</u>	<u>(697)</u>	<u>N.M.</u>
Total comprehensive income for the period	<u><u>2,403</u></u>	<u><u>648</u></u>	<u><u>270.8%</u></u>
Attributable to:			
Shareholders of the Company	1,966	710	176.9%
Non-controlling interests	<u>437</u>	<u>(62)</u>	N.M.
	<u><u>2,403</u></u>	<u><u>648</u></u>	<u><u>270.8%</u></u>

1(a)(ii) Breakdown and Explanatory Notes to the income statement.

(A) Profit before tax is arrived at after charging/(crediting) the following:

	Group		Increase/ (Decrease)
	1Q 2013 \$000	1Q 2012 \$000	
Depreciation and amortisation	9,163	7,322	25.1%
Operating lease expenses	25,868	22,066	17.2%
Personnel expenses	34,082	30,860	10.4%
Property, plant and equipment written off (Note 1)	121	125	-3.2%
Reversal of impairment loss on property, plant and equipment	(110)	-	N.A.
Loss on disposal of property, plant and equipment	8	36	N.M.
Impairment of loan and receivables			
- trade receivables	31	20	55.0%
- other receivables	1	-	N.A.
Foreign exchange (gain)/loss, net	(370)	210	-276.2%
Government grant	(90)	(251)	N.M.

N.A. - Not applicable

N.M. - Not meaningful

Notes:

(1) The property, plant and equipment were written off as a result of closure, relocation or upgrading of outlets.

1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year

	Group		Company	
	31.03.2013 \$000	31.12.2012 \$000	31.03.2013 \$000	31.12.2012 \$000
Non-current assets				
Property, plant and equipment	169,306	157,408	48,328	44,286
Intangible assets	8,521	8,531	-	-
Investment securities	51,006	45,883	-	-
Investment in subsidiaries	-	-	23,801	23,785
Investment in associates	900	900	-	-
Investment in joint ventures	3,401	3,125	-	-
Other receivables	1,684	1,880	-	-
Fixed deposit	10,178	9,988	-	-
Deferred tax assets	2,665	2,575	67	67
	<u>247,661</u>	<u>230,290</u>	<u>72,196</u>	<u>68,138</u>

	Group		Company	
	31.03.2013	31.12.2012	31.03.2013	31.12.2012
	\$000	\$000	\$000	\$000
Current assets				
Inventories	9,559	9,492	-	-
Trade and other receivables	43,314	43,618	2,610	1,025
Prepayments	8,092	6,324	42	41
Tax recoverable	400	377	-	-
Amount due from subsidiaries (non-trade)	-	-	30,847	31,261
Amount due from joint ventures (trade)	213	283	-	-
Amount due from joint ventures (non-trade)	886	1,369	-	-
Amount due from minority shareholders of subsidiaries (non-trade)	436	411	-	-
Cash and cash equivalents	59,378	64,245	2,895	431
	<u>122,278</u>	<u>126,119</u>	<u>36,394</u>	<u>32,758</u>
Current liabilities				
Trade and other payables	91,736	90,957	3,835	4,445
Other liabilities	48,409	52,477	4,455	7,588
Provision	8,158	7,977	-	-
Amount due to subsidiaries (non-trade)	-	-	22,369	16,695
Amount due to a joint venture (trade)	1,476	1,847	-	-
Amount due to joint ventures (non-trade)	340	364	-	-
Loan from a minority shareholder of a subsidiary	200	200	-	-
Short term loans	7,833	7,896	-	-
Current portion of long-term loans	44,655	37,910	31,686	25,863
Tax payable	7,579	6,438	-	-
	<u>210,386</u>	<u>206,066</u>	<u>62,345</u>	<u>54,591</u>
Net current liabilities	(88,108)	(79,947)	(25,951)	(21,833)
Non-current liabilities				
Long-term loans	56,622	50,613	18,000	18,000
Other liabilities	6,943	6,191	-	-
Deferred tax liabilities	2,570	2,514	-	-
	<u>66,135</u>	<u>59,318</u>	<u>18,000</u>	<u>18,000</u>
Net assets	<u>93,418</u>	<u>91,025</u>	<u>28,245</u>	<u>28,305</u>
Share capital and reserves				
Share capital	33,303	33,303	33,303	33,303
Treasury shares	(406)	(406)	(406)	(406)
Accumulated profits	49,176	47,559	(5,177)	(5,127)
Translation reserve	(428)	(755)	-	-
Other reserves	2,861	2,849	525	535
	<u>84,506</u>	<u>82,550</u>	<u>28,245</u>	<u>28,305</u>
Non-controlling interests	8,912	8,475	-	-
Total equity	<u>93,418</u>	<u>91,025</u>	<u>28,245</u>	<u>28,305</u>

1(b)(ii) Aggregate amount of group's borrowings and debt securities

Amount repayable in one year or less, or on demand

As at 31.03.2013	
Secured	Unsecured
\$000	\$000
33,755	18,933

As at 31.12.2012	
Secured	Unsecured
\$000	\$000
29,033	16,973

Amount repayable after one year

Amount repayable after one year

As at 31.03.2013	
Secured	Unsecured
\$000	\$000
18,598	38,024

As at 31.12.2012	
Secured	Unsecured
\$000	\$000
14,098	36,515

Details of any collateral

- (1) As at 31 March 2013, a total amount of \$57.0 million of the Group's bank borrowings are unsecured.
- (2) The remaining bank loans are secured by the following:
 - a closed legal mortgage in favour of the bank over the property at Private Lot A0135906 at Plot 1A, Tai Seng Street in Paya Lebar Industrial Estate; and
 - certain investment securities.

1(c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year

	Group	
	1Q 2013	1Q 2012
	\$000	\$000
Cash flows from operating activities		
Profit before tax	3,629	2,679
Adjustments for:		
Amortisation of intangible assets	122	136
Depreciation of property, plant and equipment	9,041	7,186
Impairment of trade receivables	31	-
Impairment of other receivables	1	20
Interest expense	514	217
Interest income	(416)	(329)
Loss on disposal of property, plant and equipment	8	36
Property, plant and equipment written off	121	125
Reversal of impairment loss on property, plant and equipment	(110)	-
Share based payment expenses	(10)	87
Share of results of joint ventures	(236)	(120)
Translation difference	(559)	343
Operating cash flow before working capital changes	12,136	10,380

1(c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year

	Group	
	1Q 2013	1Q 2012
	\$000	\$000
(Increase)/decrease in:		
Inventories	(67)	508
Trade and other receivables	(216)	2,672
Prepayments	(1,768)	(1,711)
Amount due from joint ventures (trade)	70	-
Increase/(decrease) in:		
Trade and other payables	5,314	(4,317)
Other liabilities	(524)	(2,656)
Amount due to a joint venture (trade)	(371)	453
Cash generated from operations	14,574	5,329
Tax paid	(459)	(199)
Net cash flow from operating activities	14,115	5,130
Cash flows from investing activities		
Interest income received	921	98
Purchase of property, plant and equipment	(25,492)	(13,568)
Proceeds from disposal of property, plant and equipment	17	120
Additions to intangible assets	(80)	(56)
Cash paid for reinstatement expenses	(27)	(18)
Amount due from joint ventures (non-trade)	483	(1,597)
Amount due to joint ventures (non-trade)	(24)	95
Investment in a joint venture	-	(2,310)
Purchase of investment securities	(5,100)	-
Partial redemption of junior bonds	-	3,526
Subscription of junior bonds	-	(6,000)
Net cash flow used in investing activities	(29,302)	(19,710)
Cash flows from financing activities		
Interest paid	(514)	(217)
Dividends paid to minority shareholders of a subsidiary	(984)	-
Repayment of finance lease obligations	-	(14)
Proceeds from short-term loans	1,010	3,648
Repayment of short-term loans	(1,197)	(4,021)
Proceeds from long-term loans	12,575	2,289
Repayment of long-term loans	(556)	(2,249)
Repayment of amount owing to landlord	(14)	(21)
Net cash flow from/(used in) financing activities	10,320	(585)
Net decrease in cash and cash equivalents	(4,867)	(15,165)
Cash and cash equivalents at beginning of financial period	64,245	87,060
Cash and cash equivalents at end of financial period	59,378	71,895

Note A: Cash and cash equivalents comprise:

	Group	
	31 Mar 2013	31 Mar 2012
	\$000	\$000
Cash on hand and at bank	59,000	65,273
Short term fixed deposits	378	7,295
	<u>59,378</u>	<u>72,568</u>

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year

Group	Attributable to Shareholders of the Company					Total \$000	Non- controlling interests \$000	Total equity \$000
	Share capital \$000	Treasury shares \$000	Translation reserve \$000	Accumulated profits \$000	Other reserves (Note B) \$000			
Balance at 1 January 2012	33,303	(609)	189	41,558	3,529	77,970	7,498	85,468
Profit for the period	-	-	-	1,407	-	1,407	(62)	1,345
<u>Other comprehensive income</u>								
Net loss on fair value changes of available-for-sale financial assets	-	-	-	-	(196)	(196)	-	(196)
Foreign currency translation	-	-	(501)	-	-	(501)	-	(501)
Total other comprehensive income, net of tax	-	-	(501)	-	(196)	(697)	-	(697)
Total comprehensive income for the period	-	-	(501)	1,407	(196)	710	(62)	648
<u>Contributions by and distributions to owners</u>								
Share-based payments	-	-	-	-	87	87	-	87
Total contributions by and distributions to owners	-	-	-	-	87	87	-	87
Balance at 31 March 2012	33,303	(609)	(312)	42,965	3,420	78,767	7,436	86,203
Balance at 1 January 2013	33,303	(406)	(755)	47,559	2,849	82,550	8,475	91,025
Profit for the period	-	-	-	1,617	-	1,617	437	2,054
<u>Other comprehensive income</u>								
Net gain on fair value changes of available-for-sale financial assets	-	-	-	-	22	22	-	22
Foreign currency translation	-	-	327	-	-	327	-	327
Total other comprehensive income, net of tax	-	-	327	-	22	349	-	349
Total comprehensive income for the period	-	-	327	1,617	22	1,966	437	2,403
<u>Contributions by and distributions to owners</u>								
Share-based payments	-	-	-	-	(10)	(10)	-	(10)
Total contributions by and distributions to owners	-	-	-	-	(10)	(10)	-	(10)
Balance at 31 March 2013	33,303	(406)	(428)	49,176	2,861	84,506	8,912	93,418

Company	Share capital \$000	Treasury shares \$000	Accumulated profits \$000	Other reserves (Note B) \$000	Total \$000
As at 1 January 2012	33,303	(609)	6,812	543	40,049
Profit for the period	-	-	43	-	43
Total comprehensive income for the period	-	-	43	-	43
<u>Contributions by and distributions to owners</u>					
Share-based payments	-	-	-	87	87
Total contributions by and distributions to owners	-	-	-	87	87
Balance at 31 March 2012	33,303	(609)	6,855	630	40,179
As at 1 January 2013	33,303	(406)	(5,127)	535	28,305
Loss for the period	-	-	(50)	-	(50)
Total comprehensive income for the period	-	-	(50)	-	(50)
<u>Contributions by and distributions to owners</u>					
Share-based payments	-	-	-	(10)	(10)
Total contributions by and distributions to owners	-	-	-	(10)	(10)
Balance at 31 March 2013	33,303	(406)	(5,177)	525	28,245

Note B: Other reserves

	Group		Company	
	31 Mar 2013 \$000	31 Mar 2012 \$000	31 Mar 2013 \$000	31 Mar 2012 \$000
Statutory reserve fund	2,757	2,382	-	-
Fair value adjustment reserve	236	408	-	-
Capital reserve	156	186	156	186
Share based compensation reserve	369	444	369	444
Premium on acquisition of non-controlling interests	(657)	-	-	-
	2,861	3,420	525	630

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

There were no changes in the share capital of the Company in 1Q 2013.

There were a total of 829,614 treasury shares held as at 31 March 2013 (31 March 2012: 1,237,690).

Total number of restricted shares granted conditionally under the "BreadTalk Restricted Share Grant Plan" as at 31 March 2013 was 1,210,050 (31 March 2012: 1,233,336).

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

As at 31 March 2013, the Company's issued and paid up capital, excluding 829,614 (31 December 2012: 829,614) treasury shares held, comprises 281,063,624 (31 December 2012: 281,063,624) ordinary shares.

1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported thereon.

	Number of Treasury Shares	
	1Q 2013	1Q 2012
Balance at beginning and end of financial period	829,614	1,237,690

2. Whether the figures have been audited, or reviewed and in accordance with which standard (e.g. the Singapore Standard on Auditing 910 (Engagements to Review Financial Statements), or an equivalent standard)

The figures have not been audited or reviewed by the Company's auditors.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter)

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied

The Group has applied the same accounting policies and methods of computation in the financial statements for the current reporting period compared with the audited annual financial statements for the year ended 31 December 2012, except for the adoption of the new and revised Financial Reporting Standards (FRS) which are effective for its financial year beginning 1 January 2013.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change

The Group and the Company have adopted the new and revised Financial Reporting Standards (FRS) which is effective for its financial year beginning 1 January 2013. The adoption of the new and revised FRS did not result in any material impact on the Group's and the Company's financial statements.

6. Earnings per ordinary share of the group for the current period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends

	Group	
	1Q 2013	1Q 2012
Earnings per ordinary share for the period:		
(a) Based on weighted average number of ordinary shares in issue	0.58 cent	0.50 cent
Weighted average number of ordinary shares	281,063,624	280,655,548
(b) On a fully diluted basis	0.57 cent	0.50 cent
Adjusted weighted average number of ordinary shares	282,408,884	281,888,884

As at 31 March 2013, a total of 1,210,050 (31 March 2012: 1,233,336) restricted shares have been granted conditionally under the "BreadTalk Restricted Share Grant Plan" while no share options have been issued under the "BreadTalk Group Limited Employees' Share Option Scheme".

7. Net asset value (for the issuer and the group) per ordinary share based on total number of issued shares excluding treasury shares of the issuer at the end of the (a) current period reported on and (b) immediately preceding financial year

	Group		Company	
	31.03.2013	31.12.2012	31.03.2013	31.12.2012
Net asset value per ordinary share based on issued share capital as at the end of period	<u>30.1 cents</u>	<u>29.4 cents</u>	<u>10.1 cents</u>	<u>10.1 cents</u>

Note: The net asset value per ordinary share of the Group and the Company as at 31 March 2013 is computed based on the total number of issued shares (excluding 829,614 treasury shares) of 281,063,624.

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. The review must discuss any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors. It must also discuss any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on

Overview

(A) Statement of Comprehensive Income

Group revenue grew 13.4% from \$106.1 million recorded in 1Q 2012 to \$120.3 million in 1Q 2013. Along with the higher revenue, profit after tax and attributable to shareholders ("PATMI") for the same period rose 14.9% from \$1.4 million to \$1.6 million despite cost pressure on food, labour and rental expenses.

Bakery Division revenue and bottom-line improved by 10.7% and 4.7% respectively. Revenue grew across all markets while the improvement in PATMI in Singapore, Hong Kong and Thailand helped to defray lower earnings in other markets.

Food Atrium Division turned profitable during the quarter on the back of revenue growth experienced in all markets except Taiwan, stronger profit contributions from Mainland China, Hong Kong and also the turnaround in Singapore following the normalization of business after the completion of renovation and upgrading works at two major malls carried out by the landlords.

Restaurant Division PATMI dipped 8.8% despite a 10.1% growth in revenue. Din Tai Fung Singapore and Thailand continued to show positive growth while Ramen Play and Carl's Junior are being repositioned and fine-tuned.

Interest income rose 26.4% from \$0.3 million to \$0.4 million mainly from higher returns from the Group's investment in investment securities and also maximising return on its cash with the banks.

Earnings per share (EPS) on a fully diluted basis for 1Q 2013 rose 14.8% to 0.57 cents compared to 0.50 cents in 1Q 2012.

Net asset value per share was higher at 30.1 cents as at 31 March 2013 compared to 29.4cents as at 31 December 2012.

Number of outlets including franchise under the Group:

	31-Mar-13	31-Dec-12	Net increase
Bakery	627	609	3.0%
Food Atrium	50	47	6.4%
Restaurant	35	30	16.7%
	<u>712</u>	<u>686</u>	<u>3.8%</u>

(B) Balance Sheet

Non-current assets increased by \$17.4 million or 7.5% from \$230.3 million to \$247.7 million as at 31 March 2013 mainly due to:

- (i) investment in property, plant and equipment of \$19.4 million and translation difference of \$1.6 million net off by depreciation and amortisation charges for 1Q 2013 of \$9.2 million; and
- (ii) increase in investment securities of \$5.1 million from equity interest investment in Perennial Tongzhou Development Pte Ltd.

Current assets decreased by \$3.8 million from \$126.1 million to \$122.3 million as at 31 March 2013 which was attributed to:

- (i) decrease in cash and cash equivalents of \$4.9 million mainly due to payment for construction cost of new corporate building and acquisition of assets for opening of new outlets and
- (ii) repayment of amount due from a joint venture (non-trade) of \$0.5 million offset by an increase in prepayments by \$1.8 million.

Current liabilities increased by \$4.3 million or 2.1% from \$206.1 million to \$210.4 million as at 31 March 2013 due to:

- (i) additional financing taken up to fund the Group's investment in outlet expansion; offset by
- (ii) other liabilities decrease 7.8% to \$48.4 million due to lower accruals.

Non-current liabilities increased 11.5% or \$6.8 million as at 31 March 2013 as the Group took up more long term financing to fund its investment in outlet expansion and property investment.

(C) Cash Flow Statement

The Group generated operating cash flow of \$14.1 million in 1Q 2013 and raised further financing of \$10.3 million to support \$29.3 million used in investing activities resulting in a decrease in its cash and cash equivalent of \$4.9 million to \$59.4 million as at 31 March 2013.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results

Not Applicable.

10. A commentary at the date of the announcement of the competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months

Our upgraded and relocated Food Atrium outlets at two major malls in Singapore which have enjoyed higher traffic and contributions are expected to improve. Ramen Play is being repositioned with the progressive roll out of Generation 2 outlets. Carl's Junior will be restructured and revamped.

The Group continues to refine its current business models in the light of tighter foreign labour conditions in Singapore and rising rentals and food cost in some of the countries where we operate with a view of sustaining profitability through cost rationalisation and productivity enhancement.

Barring any unforeseen circumstances, the Group expects to remain profitable for the rest of FY2013.

11. Dividend

(a) Current Financial Period Reported On

Any dividend recommended for the current financial period reported on?

None.

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

None.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

12. If no dividend has been declared/recommended, a statement to that effect

No interim dividend for the first quarter ended 31 March 2013 has been recommended.

13. If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

Name of Interested Person	Aggregate value (\$'000) of all IPTs during the financial year under review	Aggregate value of all IPTs conducted during the financial year under review under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000)
(1) Monewell Enterprise - Purchase of Chinese New Year Cookies	85.3	Not applicable - the Group does not have a shareholders' mandate under Rule 920
(2) Xia Yi Tiao F&B - Food court rental income/miscellaneous charges	45.9	
(3) Kung Fu Kitchen - Food court rental income/miscellaneous charges	54.5	

14. NEGATIVE CONFIRMATION BY THE BOARD PURSUANT TO RULE 705(5)

To the best knowledge of the Board of Directors, nothing material has come to the attention of the Board of Directors which may render the financial results for the first quarter ended 31 March 2013 of the Group and the Company to be false or misleading in any material aspect.

BY ORDER OF THE BOARD

Tan Cher Liang
Company Secretary
8 May 2013