

BREADTALK GROUP LIMITED

Financial Statement and Dividend Announcement For The First Quarter Ended 31 March 2014

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 2014. The figures presented below have not been audited.

	Group		Increase/ (Decrease)
	1Q 2014 \$000	1Q 2013 \$000	
Revenue	140,424	120,278	16.7%
Cost of sales	<u>(67,240)</u>	<u>(55,124)</u>	22.0%
Gross profit	73,184	65,154	12.3%
Other income	3,491	1,558	124.1%
Interest income	365	416	-12.3%
Distribution and selling expenses	(56,220)	(50,281)	11.8%
Administrative expenses	(16,330)	(12,941)	26.2%
Interest expense	<u>(816)</u>	<u>(513)</u>	59.1%
Profit before tax and share of results of joint ventures	3,674	3,393	8.3%
Share of results of associates	(165)	-	N.M.
Share of results of joint ventures	<u>170</u>	<u>236</u>	-28.0%
Profit before tax	3,679	3,629	1.4%
Taxation	<u>(1,744)</u>	<u>(1,575)</u>	10.7%
Profit after tax	<u>1,935</u>	<u>2,054</u>	-5.8%
Attributable to:			
Shareholders of the Company	1,804	1,617	11.6%
Non-controlling interests	<u>131</u>	<u>437</u>	-70.0%
	<u>1,935</u>	<u>2,054</u>	-5.8%
Other comprehensive income:			
Net gain/(loss) on available-for-sale financial assets	10	22	-54.5%
Foreign currency translation	<u>(365)</u>	<u>327</u>	N.M.
Other comprehensive income for the period, net of tax	<u>(355)</u>	<u>349</u>	N.M.
Total comprehensive income for the period	<u>1,580</u>	<u>2,403</u>	-34.2%
Attributable to:			
Shareholders of the Company	1,449	1,966	-26.3%
Non-controlling interests	<u>131</u>	<u>437</u>	-70.0%
	<u>1,580</u>	<u>2,403</u>	-34.2%

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 2014	1Q 2013	
	\$000	\$000	
Depreciation and amortisation	12,034	9,163	31.3%
Operating lease expenses	33,180	25,868	28.3%
Personnel expenses	39,221	34,082	15.1%
Property, plant and equipment written off (Note 1)	483	121	299.2%
Reversal of impairment loss on property, plant and equipment	-	(110)	-100.0%
(Gain) / Loss on disposal of property, plant and equipment	(9)	8	N.M.
Impairment of loan and receivables			
- trade receivables	-	31	-100.0%
- other receivables	-	1	-100.0%
Foreign exchange (gain)/loss, net	197	(370)	-153.2%

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	
	31.03.2014	31.12.2013	31.03.2014	31.12.2013
	\$000	\$000	\$000	\$000
Non-current assets				
Property, plant and equipment	220,292	225,860	73,883	74,115
Intangible assets	7,884	7,772	-	-
Investment securities	77,033	59,799	-	-
Investment in subsidiaries	-	-	23,694	23,657
Investment in associates	4,390	4,568	-	-
Investment in joint ventures	4,788	3,638	-	-
Other receivables	3,005	1,827	-	-
Fixed deposit	10,507	10,671	-	-
Deferred tax assets	4,384	4,287	67	67
	<u>332,283</u>	<u>318,422</u>	<u>97,644</u>	<u>97,839</u>

	Group		Company	
	31.03.2014	31.12.2013	31.03.2014	31.12.2013
	\$000	\$000	\$000	\$000
Current assets				
Assets of disposal group classified as held for sale	-	2,056	-	-
Inventories	10,196	10,004	-	-
Trade and other receivables	56,296	50,595	4,216	968
Prepayments	5,373	6,395	106	86
Tax recoverable	-	6	-	-
Due from related corporations	1,028	959	25,438	16,753
Amount due from minority shareholders of subsidiaries (non-trade)	401	395	-	-
Cash and cash equivalents	60,721	79,420	1,345	9,214
	<u>134,015</u>	<u>149,830</u>	<u>31,105</u>	<u>27,021</u>
Current liabilities				
Trade and other payables	87,608	102,589	1,509	2,669
Other liabilities	58,082	59,531	6,431	5,793
Provision	10,575	10,223	22	22
Due to related corporations	4,030	3,901	32,351	27,457
Loan from a minority shareholder of a subsidiary	200	200	-	-
Short term loans	10,610	9,746	-	-
Current portion of long-term loans	34,764	20,554	3,135	3,135
Tax payable	7,245	6,458	-	-
	<u>213,114</u>	<u>213,202</u>	<u>43,448</u>	<u>39,076</u>
Net current liabilities	(79,099)	(63,372)	(12,343)	(12,055)
Non-current liabilities				
Long-term loans	135,118	138,216	48,492	49,048
Loan from a minority shareholder of a subsidiary	476	-	-	-
Other liabilities	9,460	10,297	-	-
Deferred tax liabilities	2,659	2,554	-	-
	<u>147,713</u>	<u>151,067</u>	<u>48,492</u>	<u>49,048</u>
Net assets	<u>105,471</u>	<u>103,983</u>	<u>36,809</u>	<u>36,736</u>
Share capital and reserves				
Share capital	33,303	33,303	33,303	33,303
Treasury shares	(350)	(187)	(350)	(187)
Accumulated profits	59,202	57,499	3,324	3,159
Other reserves	3,155	3,338	532	461
	<u>95,310</u>	<u>93,953</u>	<u>36,809</u>	<u>36,736</u>
Non-controlling interests	10,161	10,030	-	-
Total equity	<u>105,471</u>	<u>103,983</u>	<u>36,809</u>	<u>36,736</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 31.03.2014		
Secured		Unsecured
\$000		\$000
9,452		36,122

As at 31.12.2013		
Secured		Unsecured
\$000		\$000
8,318		22,182

Amount repayable after one year

As at 31.03.2014		
Secured		Unsecured
\$000		\$000
109,526		26,068

As at 31.12.2013		
Secured		Unsecured
\$000		\$000
96,121		42,095

Details of any collateral

- (1) As at 31 March 2014, a total amount of \$62.2 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;
 - An all monies legal mortgage in favour of the bank over the property at Flat A on 36th floor of Tower III of the Waterfront, No 1 Austin Roadwest, Kowloon, Hong Kong; 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 2014	1Q 2013
	\$000	\$000
Cash flows from operating activities		
Profit before tax	3,679	3,629
Adjustments for:		
Amortisation of intangible assets	111	122
Depreciation of property, plant and equipment	11,923	9,041
Impairment of trade receivables	-	31
Impairment of other receivables	-	1
Interest expense	816	514
Interest income	(365)	(416)
(Gain) / Loss on disposal of property, plant and equipment	(9)	8
Property, plant and equipment written off	483	121
Reversal of impairment loss on property, plant and equipment	-	(110)
Share based payment expenses	71	(10)
Share of results of joint ventures	(170)	(236)
Share of results of associates	165	-
Translation difference	168	(815)
Operating cash flow before working capital changes	16,872	11,880

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 2014	1Q 2013
	\$000	\$000
Operating cash flow before working capital changes	16,872	11,880
(Increase)/decrease in:		
Inventories	(192)	(67)
Trade and other receivables	(391)	(216)
Prepayments	1,022	(1,768)
Amount due from joint ventures (trade)	-	70
Increase/(decrease) in:		
Trade and other payables	(9,565)	5,314
Other liabilities	(2,279)	(524)
Amount due to a joint venture (trade)	(107)	(371)
Cash generated from operations	<u>5,360</u>	<u>14,318</u>
Tax paid	(947)	(459)
Net cash flow from operating activities	<u>4,413</u>	<u>13,859</u>
Cash flows from investing activities		
Interest income received	236	921
Purchase of property, plant and equipment	(12,090)	(25,492)
Proceeds from disposal of property, plant and equipment	13	17
Proceeds from disposal of assets held for sale	505	-
Additions to intangible assets	(226)	(80)
Cash paid for reinstatement expenses	(38)	(27)
Amount due from joint ventures (non-trade)	(69)	483
Amount due to joint ventures (non-trade)	(5)	(24)
Amount due to associates (non-trade)	241	-
Investment in a joint venture	(1,022)	-
Purchase of investment securities	(5,085)	(5,100)
Loan to an investee	(4,833)	-
Subscription of junior bonds	(12,137)	-
Net cash flow used in investing activities	<u>(34,510)</u>	<u>(29,302)</u>
Cash flows from financing activities		
Interest paid	(816)	(514)
Dividends paid to minority shareholders of a subsidiary	(576)	(984)
Loan due to minority shareholder	476	-
Purchase of treasury shares	(163)	-
Proceeds from short-term loans	3,319	1,010
Repayment of short-term loans	(2,378)	(1,197)
Proceeds from long-term loans	16,915	12,575
Repayment of long-term loans	(5,638)	(556)
Repayment of amount owing to landlord	-	(14)
Net cash flow from/(used in) financing activities	<u>11,139</u>	<u>10,320</u>
Net decrease in cash and cash equivalents	(18,958)	(5,123)
Effect of exchange rate changes on cash and cash equivalents	259	256
Cash and cash equivalents at beginning of financial period	79,420	64,245
Cash and cash equivalents at end of financial period	<u>60,721</u>	<u>59,378</u>
Note A: Cash and cash equivalents comprise:		
	Group	
	31 Mar 2014	31 Mar 2013
	\$000	\$000
Cash on hand and at bank	60,715	59,000
Short term fixed deposits	6	378
	<u>60,721</u>	<u>59,378</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	Accumulated profits \$000	Other reserves (Note B) \$000			
Balance at 1 January 2013	33,303	(406)	47,559	2,094	82,550	8,475	91,025
Profit for the period	-	-	1,617	-	1,617	437	2,054
<u>Other comprehensive income</u>							
Net loss 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	-	-	-	349	349	-	349
Total comprehensive income for the period	-	-	1,617	349	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)	49,176	2,433	84,506	8,912	93,418
Balance at 1 January 2014	33,303	(187)	57,499	3,338	93,953	10,030	103,983
Profit for the period	-	-	1,804	-	1,804	131	1,935
<u>Other comprehensive income</u>							
Net gain on fair value changes of available-for-sale financial assets	-	-	-	10	10	-	10
Foreign currency translation	-	-	-	(365)	(365)	-	(365)
Total other comprehensive income, net of tax	-	-	-	(355)	(355)	-	(355)
Total comprehensive income for the period	-	-	1,804	(355)	1,449	131	1,580
<u>Contributions by and distributions to owners</u>							
Transfer to statutory reserve	-	-	(101)	101	-	-	-
Share-based payments	-	-	-	71	71	-	71
Purchase of treasury shares	-	(163)	-	-	(163)	-	(163)
Total contributions by and distributions to owners	-	(163)	(101)	172	(92)	-	(92)
Balance at 31 March 2014	33,303	(350)	59,202	3,155	95,310	10,161	105,471

Company	Share capital \$000	Treasury shares \$000	Accumulated profits \$000	Other reserves (Note B) \$000	Total \$000
As at 1 January 2013	33,303	(406)	(5,127)	535	28,305
Profit 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
As at 1 January 2014	33,303	(187)	3,159	461	36,736
Loss for the period	-	-	165	-	165
Total comprehensive income for the period	-	-	165	-	165
<u>Contributions by and distributions to owners</u>					
Share-based payments	-	-	-	71	71
Purchase of treasury shares	-	(163)	-	-	(163)
Total contributions by and distributions to owners	-	(163)	-	71	(92)
Balance at 31 March 2014	33,303	(350)	3,324	532	36,809

Note B: Other reserves

	Group		Company	
	31 Mar 2014 \$000	31 Mar 2013 \$000	31 Mar 2014 \$000	31 Mar 2013 \$000
Statutory reserve fund	2,858	2,757	-	-
Translation reserve	301	(428)	-	-
Fair value adjustment reserve	121	235	-	-
Capital reserve	175	156	175	156
Share based compensation reserve	357	370	357	369
Premium on acquisition of non-controlling interests	(657)	(657)	-	-
	3,155	2,433	532	525

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 2014.

There were a total of 564,624 treasury shares held as at 31 March 2014 (31 March 2013: 829,614).

Total number of restricted shares granted conditionally under the "BreadTalk Restricted Share Grant Plan" as at 31 March 2014 was 710,050 (31 March 2013: 1,210,050).

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 2014, the Company's issued and paid up capital, excluding 564,624 (31 December 2013: 829,614) treasury shares held, comprises 281,328,614 (31 December 2013: 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 2014	1Q 2013
Balance at beginning and end of financial period	381,624	829,614
Purchase of treasury shares	183,000	-
Balance at end of financial period	564,624	829,614

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 2013, except for the adoption of the new and revised Financial Reporting Standards (FRS) which are effective for its financial year beginning 1 January 2014.

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 2014. 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 2014	1Q 2013
Earnings per ordinary share for the period:		
(a) Based on weighted average number of ordinary shares in issue	0.64 cent	0.58 cent
Weighted average number of ordinary shares	281,328,614	281,063,624
(b) On a fully diluted basis	0.64 cent	0.57 cent
Adjusted weighted average number of ordinary shares	282,038,664	282,408,884

As at 31 March 2014, a total of 710,050 (31 March 2013: 1,210,050) 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	
	31.03.2014	31.12.2013	31.03.2014	31.12.2013
Net asset value per ordinary share based on issued share capital as at the end of period	<u>33.8 cents</u>	<u>30.1 cents</u>	<u>12.8 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 2014 is computed based on the total number of issued shares (excluding 564,624 treasury shares) of 281,328,614.

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 across all regions by 16.7% from \$120.3 million recorded in 1Q 2013 to \$140.4 million in 1Q 2014. Profit after tax and attributable to shareholders ("PATMI") for the first three months improved by 11.6% from \$1.6million to \$1.8 million.

The Group's Bakery division improved its revenue by 16.5% while PATMI took a slight dip of about 6.5% due mainly to the gestation period of new concepts, higher labour costs in Singapore and adverse impacts of the continuing political unrest in Bangkok.

Its Food Atrium division outperformed with 22.4% growth in revenue along with 322.8% improvement in PATMI which was attributed to higher margins achieved from its operations in Mainland China and Hong Kong.

Despite revenue growing by 12.2%, the Group's Restaurant division PATMI was almost flat due to the positive performance of Din Tai Fung in Singapore being offset by the ongoing restructuring of Ramen Play business.

Other income increased by 124.1% due mainly to receipts under the Singapore's Wage Credit Scheme. Interest income decreased 12.3% from \$0.4 million to \$0.3 million as the Group receives lower returns from its fixed income bond investments.

Earnings per share (EPS) on a fully diluted basis for 1Q 2014 increased 12.3% to 0.64 cents compared to 0.57 cents in 1Q 2013.

Net asset value per share was higher at 33.8 cents as at 31 March 2014 compared to 30.1 cents as at 31 December 2013.

Number of outlets including franchise under the Group:

	31-Mar-14
Bakery	742
Food Atrium	60
Restaurant	33
	<hr/>
	835
	<hr/>

(B) Balance Sheet

Non-current assets increased by \$13.9 million or 4.4% from \$318.4 million to \$332.3 million as at 31 March 2014 mainly due to increase in investment securities of \$17.2 million from equity interest investment in Perennial Somerset Investors Pte Ltd.

Current assets decreased by \$15.8 million from \$149.8 million to \$134.0 million as at 31 March 2014 which was attributed to:

- (i) A decrease in cash and cash equivalents of \$18.7 million mainly due to payment for the investment in Perennial Somerset Investors Pte Ltd;
- (ii) Disposal of assets held for sale, amounting to \$2.1 million, to an associated company; and
- (iii) Increase of loan receivables amounting to \$4.8 million.

Current liabilities decreased slightly by \$0.1 million to \$213.1 million as at 31 March 2014 due to:

- (i) additional financing of \$14.2 million to fund mainly the Group's investment in Perennial Somerset Investors Pte Ltd; and
- (ii) offset by the reduction in trade and other payables of \$15.0 million due mainly to repayment of new stores renovation project costs and higher refund of sales collection to tenants in food atriums.

Non-current liabilities decreased 2.2% or \$3.3 million as at 31 March 2014 as a portion of the Group's long term financing are reclassified as current.

(C) Cash Flow Statement

The Group generated operating cash flow of \$4.4 million in 1Q 2014 and raised a further financing of \$11.1 million to support \$34.5 million used in investing activities, resulting in a decrease in its cash and cash equivalent of \$19.0 million to \$60.7 million as at 31 March 2014.

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

The Group will push to sustain its growth momentum in Mainland China while taking appropriate actions to reinforce its market leadership in Singapore where the competitive landscape in its bakery business has intensified. Meanwhile, it will press on with the restructuring of its underperforming Ramen Play business.

Barring any unforeseen circumstances, the Group expects to remain profitable for the rest of FY2014.

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 2014 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) P.I.L. Consortium Pte Ltd - Delivery Services and Inward Freight	414.9	Not applicable - the Group does not have a shareholders' mandate under Rule 920
(2) Sky One Art Investment Pte Ltd - Purchase of artwork	293.4	
(3) Kung Fu Kitchen - Food court rental income/miscellaneous charges	35.0	

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 2014 of the Group and the Company to be false or misleading in any material aspect.

BY ORDER OF THE BOARD

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Company Secretary
8 May 2014