

BREADTALK GROUP LIMITED

Financial Statement and Dividend Announcement For The Half Year Ended 30 June 2005

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

1(a) An income statement (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 half year ended 30 June 2005. The figures presented below have not been audited.

	Group		Increase/ (Decrease) %
	Half Year Ended 30 June		
	2005	2004	
	\$000	\$000	
Revenue	42,329	22,643	86.9%
Cost of sales	<u>(18,431)</u>	<u>(8,794)</u>	109.6%
Gross profit	23,898	13,849	72.6%
Other operating income	1,524	200	662.0%
Distribution and selling expenses	(16,305)	(10,353)	57.5%
Administrative expenses	(6,918)	(3,324)	108.1%
Profit from operations	<u>2,199</u>	<u>372</u>	491.1%
Interest income	37	13	184.6%
Interest expense	(191)	(109)	75.2%
Bank charges	<u>(75)</u>	<u>(44)</u>	70.5%
Profit before tax and associates' results	1,970	232	749.1%
Share of associates' results	<u>(145)</u>	<u>-</u>	N.A.
Profit before tax	1,825	232	686.6%
Tax expense	<u>(982)</u>	<u>(200)</u>	391.0%
Profit after tax	<u><u>843</u></u>	<u><u>32</u></u>	2534.4%
Attributable to:			
Shareholders of the Company	493	(155)	N.M.
Minority interests	<u>350</u>	<u>187</u>	87.2%
	<u><u>843</u></u>	<u><u>32</u></u>	2534.4%

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

Profit before tax is arrived at after charging the following:

	Group		Increase/ (Decrease)
	Half Year Ended 30 June		
	2005	2004	
	\$000	\$000	
Depreciation and amortisation	3,088	1,723	79.2%
Operating lease expenses	9,418	4,555	106.8%
Personnel expenses	11,106	6,965	59.5%
Loss on disposal of fixed assets	70	21	233.3%
Fixed assets written off	269	191	40.8%
Foreign exchange gain (net)	(51)	(2)	2450.0%

There was no material over or underprovision of tax in respect of prior years.

N.A. - Not applicable

N.M. - Not meaningful

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

	Group		Company	
	30.6.2005 \$000	31.12.2004 \$000	30.6.2005 \$000	31.12.2004 \$000
Non-current assets				
Fixed assets	22,364	12,151	-	-
Investment in subsidiaries	-	-	17,281	7,039
Investment in associates	514	582	-	-
Loan to associate	278	-	-	-
Goodwill on consolidation	8,057	-	-	-
Intangible assets	270	240	-	-
Franchise rights	508	511	-	-
	<u>31,991</u>	<u>13,484</u>	<u>17,281</u>	<u>7,039</u>
Current assets				
Inventories	1,640	1,350	-	-
Trade receivables	1,729	1,238	-	-
Other receivables, deposits and prepayments	8,166	3,229	226	629
Due from subsidiaries (trade)	-	-	-	615
Due from subsidiaries (non-trade)	-	-	3,755	3,173
Due from an associate (trade)	267	251	-	-
Due from an associate (non-trade)	22	57	-	-
Fixed deposits	1,506	1,904	250	649
Cash on hand and at bank	10,671	7,264	409	292
	<u>24,001</u>	<u>15,293</u>	<u>4,640</u>	<u>5,358</u>
Current liabilities				
Trade payables	6,590	4,038	-	-
Other payables and accruals	13,996	5,470	367	552
Provisions	404	-	-	-
Loan from a minority shareholder	11	-	-	-
Amount due to subsidiaries (non-trade)	-	-	-	179
Provision for income tax	1,015	342	8	4
Short term loan, secured	3,390	1,187	-	-
Long-term loans (current portion), secured	2,168	1,479	-	-
Finance lease obligations (current portion), secured	227	275	-	-
	<u>27,801</u>	<u>12,791</u>	<u>375</u>	<u>735</u>
Net current (liabilities) assets	(3,800)	2,502	4,265	4,623
Non-current liabilities				
Long-term loans (non-current portion), secured	1,062	920	-	-
Finance lease obligations (non-current portion), secured	88	176	-	-
Amount due to landlord (non-trade)	1,214	-	-	-
Deferred tax	1,027	1,027	-	-
	<u>3,391</u>	<u>2,123</u>	<u>-</u>	<u>-</u>
	<u>24,800</u>	<u>13,863</u>	<u>21,546</u>	<u>11,662</u>
Share capital and reserves				
Share capital	8,036	6,519	8,036	6,519
Capital reserve	-	452	-	-
Share premium	13,480	5,135	13,480	5,135
Accumulated profits	1,527	582	30	8
Translation reserve	48	(87)	-	-
	<u>23,091</u>	<u>12,601</u>	<u>21,546</u>	<u>11,662</u>
Minority interests	1,709	1,262	-	-
	<u>24,800</u>	<u>13,863</u>	<u>21,546</u>	<u>11,662</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 30.6.2005		As at 31.12.2004	
Secured	Unsecured	Secured	Unsecured
\$000	\$000	\$000	\$000
5,785	-	2,941	-

Amount repayable after one year

As at 30.6.2005		As at 31.12.2004	
Secured	Unsecured	Secured	Unsecured
\$000	\$000	\$000	\$000
1,150	-	1,096	-

Details of any collateral

(1) As at 30 June 2005, the Group's term loans totalling \$6,620,000 are secured by certain fixed deposits and cash at bank amounting to \$1,611,000, corporate guarantees issued by the Company and joint and several personal guarantees by directors of a subsidiary in connection with the banking facilities of certain subsidiaries.

(2) Finance lease obligations are secured by the underlying assets acquired.

(3) As at 30 June 2005, there were several deeds of guarantee executed by the Company to secure certain operating leases of a subsidiary company.

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

	Group	
	Half Year Ended 30 June 2005	2004
	\$000	\$000
Cashflows from operating activities		
Profit before tax	1,825	232
Adjustments for:		
Share of associates' results	145	-
Depreciation of fixed assets	3,014	1,664
Amortisation of intangible assets	39	28
Amortisation of franchise rights	35	31
Loss on disposal of fixed assets	70	21
Fixed assets written off	269	191
Provision for doubtful debts	202	-
Writedown of inventories	6	-
Interest expense and bank charges	266	153
Interest income	(37)	(13)
Operating profit before working capital changes	5,834	2,307
(Increase)/ decrease in:		
Inventories	(143)	(591)
Trade receivables	(519)	6
Other receivables, deposits and prepayments	(2,543)	(452)
Amount due from associate (trade)	(16)	(294)
Amount due from associate (non-trade)	35	(68)
Increase/ (decrease) in:		
Trade payables	929	986
Other payables and accruals	1,871	(550)
Amount due to a minority shareholder	-	131
Cash generated from operations	5,448	1,475
Interest expense and bank charges paid	(266)	(153)
Tax paid	(578)	(55)
Translation difference	(210)	(4)
Net cash flow from operating activities	4,394	1,263

Cash flows from investing activities

Interest income received	37	13
Purchase of fixed assets	(7,738)	(1,510)
Proceeds from disposal of fixed assets	33	2
Investment in intangible assets	(32)	(79)
Investment in franchise rights	(32)	-
Acquisition of subsidiaries	5,727	-
Loan to associate	(357)	-
Investment in associate	(53)	(664)
Net cash flow used in investing activities	(2,415)	(2,238)

Cash flows from financing activities

Decrease in fixed deposits and cash at bank pledged	480	-
Amount due to landlords	413	-
Repayment of finance lease obligations	(136)	(132)
Net financing from short-term loan	403	-
Net repayment of long-term loans	(593)	(747)
Capital contribution from a minority shareholder	97	-
Loan from a minority shareholder	11	-
Net cash flow from (used in) financing activities	675	(879)

Net increase (decrease) in cash and cash equivalents	2,654	(1,854)
Cash and cash equivalents at beginning of period	7,912	7,420
Cash and cash equivalents at end of period	10,566	5,566

Note: Cash and cash equivalents

Cash on hand and at bank	10,671	3,357
Fixed deposits	1,506	3,459
	12,177	6,816
Less: Fixed deposits and cash at bank pledged	(1,611)	(1,250)
Cash and cash equivalents	10,566	5,566

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

	Attributable to Shareholders of the Company					Total	Minority interests	Total equity
	Share capital	Share premium	Capital reserve	Translation reserve	Accumulated profits / (losses)			
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Group								
As at 1 January 2004	6,519	5,135	452	(31)	613	12,688	741	13,429
Translation difference	-	-	-	7	-	7	-	7
Net (loss)/ profit for the period	-	-	-	-	(155)	(155)	187	32
As at 30 June 2004	6,519	5,135	452	(24)	458	12,540	928	13,468
As at 1 January 2005								
- As previously reported	6,519	5,135	452	(87)	582	12,601	1,262	13,863
- Effect of adopting FRS 103	-	-	(452)	-	452	-	-	-
- Restated	6,519	5,135	-	(87)	1,034	12,601	1,262	13,863
Issue of new shares	1,517	-	-	-	-	1,517	-	1,517
Issue of new shares to minority shareholders	-	-	-	-	-	-	97	97
Premium on issue of new shares	-	8,345	-	-	-	8,345	-	8,345
Translation difference	-	-	-	135	-	135	-	135
Net profit for the period	-	-	-	-	493	493	350	843
As at 30 June 2005	8,036	13,480	-	48	1,527	23,091	1,709	24,800
	Share capital	Share premium	Accumulated profits / (losses)	Total				
Company								
As at 1 January 2004	6,519	5,135	(2)	11,652				
Net profit for the period	-	-	94	94				
As at 30 June 2004	6,519	5,135	92	11,746				
As at 1 January 2005	6,519	5,135	8	11,662				
Issue of new shares	1,517	-	-	1,517				
Premium on issue of new shares	-	8,345	-	8,345				
Net profit for the period	-	-	22	22				
As at 30 June 2005	8,036	13,480	30	21,546				

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 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

During the half year ended 30 June 2005, the Company issued a total of 37,931,034 new shares of \$0.04 each at \$0.26 per share as consideration for the acquisition of Topwin Investment Holding Pte Ltd & Subsidiaries.

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

Except as disclosed in paragraph 5 below, 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 2004.

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

With effect from 1 January 2005, the Group adopted the following Financial Reporting Standards ("FRS"):

FRS 1 (Revised 2004) Presentation of Financial Statements
FRS 2 (Revised 2004) Inventories
FRS 8 (Revised 2004) Accounting policies, Changes in Accounting Estimates and Errors
FRS 10 (Revised 2004) Events after the Balance Sheet Date
FRS 16 (Revised 2004) Property, Plant and Equipment
FRS 17 (Revised 2004) Leases
FRS 21 (Revised 2004) The Effects of Changes in Foreign Exchange Rates
FRS 24 (Revised 2004) Related Party Disclosures
FRS 27 (Revised 2004) Consolidated and Separate Financial Statements
FRS 28 (Revised 2004) Investment in Associates
FRS 32 (Revised 2004) Financial Instruments: Disclosure and Presentation
FRS 33 (Revised 2004) Earnings per Share
FRS 36 (Revised 2004) Impairment of Assets
FRS 38 (Revised 2004) Intangible Assets
FRS 39 (Revised 2004) Financial Instruments: Recognition and Measurement
FRS 103 Business Combinations

Except as disclosed below, the adoption of the above FRS did not result in material changes to the Group's accounting policies.

The adoption of FRS 103, revised FRS 36 and revised FRS 38 simultaneously and prospectively from 1 January 2005 resulted in a change in the accounting treatment for goodwill. FRS 103 requires goodwill acquired in a business combination to be measured at cost less any accumulated impairment losses. Goodwill shall no longer be amortised. Instead, impairment is tested annually, or more frequently if events or changes in circumstances indicate that the goodwill might be impaired. The replaced FRS 22 Business Combinations required acquired goodwill to be systematically amortised over its useful life, and included a rebuttable presumption that its useful life could not exceed twenty years from initial recognition.

In accordance with the transitional provisions of FRS 103, negative goodwill as at 31 December 2004 has been adjusted against retained earnings at 1 January 2005.

The adoption of FRS 16 prospectively from 1 January 2005 resulted in the capitalisation of the estimated cost of dismantling and removing the asset and restoring the site, to the extent that it is recognised as provision under FRS 37, Provisions, Contingent Liabilities and Contingent Assets.

In accordance with the transitional provisions of FRS 16, dismantling costs has been capitalised and provided for as at 30 June 2005.

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	
	HY2005	HY2004
Earnings per ordinary share for the period:		
(a) Based on weighted average number of ordinary shares in issue	0.28 cents	-0.1 cents
Weighted average number of ordinary shares	175,623,678	162,980,000
(b) On a fully diluted basis	0.28 cents	-0.1 cents
Adjusted weighted average number of ordinary shares	175,623,678	162,980,000

As at 30 June 2005, there were no share options issued under the "BreadTalk Group Limited Employees' Share Option Scheme" and, hence, there were no potential dilutive ordinary shares.

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

	Group		Company	
	30.6.2005	31.12.2004	30.6.2005	31.12.2004
Net asset value per ordinary share based on issued share capital as at the end of period reported on	<u>11.5 cents</u>	<u>7.7 cents</u>	<u>10.7 cents</u>	<u>7.2 cents</u>

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

Performance Review

(A) Revenue

Breakdown of the Group's revenue for HY2005 as compared to HY2004 is summarised as follows:

	HY2005		HY2004		Increase/ (Decrease)	
	\$000	% Contribution	\$000	% Contribution	\$000	%
Bakery sales	20,930	49.5%	16,244	71.7%	4,686	28.8%
Franchise revenue	1,351	3.2%	1,510	6.7%	(159)	-10.5%
Restaurant sales	7,802	18.4%	4,889	21.6%	2,913	59.6%
Foodcourts revenue	12,246	28.9%	-	0.0%	12,246	N.A.
	<u>42,329</u>	<u>100.0%</u>	<u>22,643</u>	<u>100.0%</u>	<u>19,686</u>	<u>86.9%</u>

The Group's total revenue for the half year ended 30 June 2005 grew by \$19.7 million or 86.9% to \$42.3 million, up from \$22.6 million in the same period last year. The growth was mainly attributable to:

- i) revenue contribution of \$12.2 million from Topwin Investment Holding Pte Ltd and subsidiaries ("Topwin") which the Group acquired and consolidated with effect from 1 January 2005; Topwin operates the "Megabite" food courts chain in China
- ii) higher sales from the Group's bakery operations of \$20.9 million, up \$4.7 million or 28.8% from \$16.2 million in HY2004. The growth was mainly spurred by the bakery operations in China whose sales grew 3.7 times to \$6.9 million over the same period a year ago, as the total number of retail outlets grew from three to 18 as at 30 June 2005.
- iii) higher revenue from "Din Tai Fung" restaurant operations of \$7.8 million, up \$2.9 million or 59.6% compared to the sales of \$4.9 million in the corresponding period last year mainly contributed by the second outlet at Junction 8 and third outlet at Tampines Mall which were opened at end October 2004 and early April 2005 respectively.

(iv) The franchise business continued to grow in 1H 2005 with the addition of two new master franchises in Hong Kong and India, as well as addition of 3 franchised outlets during the period, bringing the total number of franchised outlets to 22 as at 30 June 2005. However, the overall franchise income decreased by 10.5% to \$1.4 million mainly due to lower flour sales to franchisees as a result of local sourcing efforts.

	Number of franchised outlets		
	30-Jun-05	31-Dec-04	30-Jun-04
Indonesia	12	10	6
Philippines	4	3	1
Kuwait	3	3	1
Malaysia	2	2	1
Taiwan	-	1	1
Hong Kong	1	-	-
	<u>22</u>	<u>19</u>	<u>10</u>

(B) Profitability

The Group recorded a net profit of \$493,000 in HY2005, reversing the net loss of \$155,000 incurred in HY2004. This was achieved on the back of 86.9% sales growth, boosted by first-time profit contribution from Topwin and growth in the "Din Tai Fung" restaurant business.

Earnings per share on a fully diluted basis rose to 0.28 cents whilst its net asset value per share increased to 11.5 cents.

The acquisition of Topwin adds an important earnings driver to the Group's F&B's stable. It recorded a 26.1% increase in profit before tax for HY2005 of approximately \$1.6 million compared to Topwin's pre-acquisition profits of \$1.2 million in HY2004. It recently entered the Hong Kong market through an 85% stake in Megabite Hong Kong Limited, and is working towards opening its first food court in Cityplaza in Tai Koo Shing area by end of the year.

The earnings growth of "Din Tai Fung" restaurant business was driven by the full contribution of its second outlet at Junction 8 and addition of its third outlet at Tampines Mall in April 2005, compared to only one outlet at Paragon a year ago.

As at 30 June 2005, the Group owns 24 BreadTalk bakery outlets in Singapore, 11 in Shanghai, four in Beijing and three in Shenzhen. With 18 BreadTalk outlets in the People's Republic of China, the Group has been able to achieve better operating efficiencies and market visibility.

(C) Balance Sheet

The Group acquired Topwin Investment Holding Pte Ltd and subsidiaries ("Topwin") with effect from 1 January 2005 with a total purchase consideration of \$10.2 million and the fair value of the net assets acquired was \$2.2 million, giving rise to a goodwill on consolidation of \$8 million. The acquisition was satisfied via the issue of 37,931,034 new shares of \$0.04 each at \$0.26 per share.

As at 30 June 2005, the Group's fixed assets increased substantially to \$22.4 million, compared to \$12.2 million as at 31 December 2004, mainly due to the consolidation of Topwin, acquisition of a property in Beijing by Topwin in HY2005 as well as the additions of new BreadTalk outlets in Shanghai, Beijing and Shenzhen and a "Din Tai Fung" outlet at Tampines Mall in Singapore.

The Group's other receivables, deposits and prepayments increased substantially from \$3.2 million as at 31 December 2004 to \$8.2 million as at 30 June 2005, mainly due to the consolidation of Topwin and increase in security deposits placed with landlords. Other payables and accruals also rose significantly from \$5.5 million as at 31 December 2004 to \$14.0 million as at 30 June 2005 mainly as a result of the consolidation of Topwin.

As at 30 June 2005, the Group's total borrowings stood at \$6.9 million, up \$2.9 million from \$4.0 million as at 31 December 2004, mainly due to consolidation of Topwin, offset by repayments of borrowings made during the period.

The Group has a net current liabilities position of \$3.8 million as at 30 June 2005 compared to a net current assets position of \$2.5 million as at 31 December 2004. This is mainly due to the utilisation of cash to purchase a property in Beijing and the expansion in the PRC funded mainly by short term loans.

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 see an increase in business activities in the next 12 months. In Singapore, the Group will : (a) embark on its food court business during the 2nd half of 2005 with its first food court to be opened at Wisma Atria along Orchard Road; (b) operate two restaurants, Pizza Walker and Free Banana along Orchard Road; (c) fine tune its "Din Tai Fung" retail concept at its 4th outlet to be opened by end 2005 at Wisma Atria to capture a different source of dining crowd; and (d) focus on product innovation, operational efficiency and brand building to stay ahead of the competition in its BreadTalk bakery operation.

In Hong Kong, Megabite Hong Kong is expected to open its first food court at Cityplaza in Tai Koo Shing area by end 2005.

In China, the Group will explore several BreadTalk franchise opportunities after establishing prominent presence in the major cities there. In other markets, the Group will focus its management resources on working closely with its new franchisees in Hong Kong, India and Taiwan, as well as existing franchisees to roll out new outlets in their respective markets.

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 half year ended 30 June 2005 has been recommended.

PART II - ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT

(This part is not applicable to Q1, Q2, Q3 and Half Year Results)

13. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year

Not applicable.

14. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments

Not applicable.

15. A breakdown of sales

Not applicable

16. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year

	Latest Full Year	Latest Full Year
Ordinary	0	0
Preference	0	0
Total	0	0

BY ORDER OF THE BOARD

Tan Cher Liang
Company Secretary
10 August 2005