

## PRESS RELEASE

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## **BreadTalk acquires Megabite, an award-winning chain of food courts in China**

- *Megabite is owned by Topwin, which is in turn 72% owned by George Quek, BreadTalk's Group Managing Director*
- *Having operated in China for 7 years, with 13 food courts in cities like Shanghai and Beijing, Megabite will accelerate BreadTalk's expansion into the China market*

**SINGAPORE – 21 October 2004** – SESDAQ-listed food & beverage chain **BreadTalk Group Limited** (“BreadTalk” or the “Group”) today announced that it has entered into a conditional agreement with George Quek, Frankie Quek and Chen Poh On (collectively, the “Vendors”) to acquire the entire issued and paid-up share capital of Singapore-incorporated Topwin Investment Holding Pte Ltd (“Topwin”) which owns and operates 13 food courts under the award-winning brand-name “Megabite” in the PRC, for a total consideration of S\$11 million.

The consideration of S\$11 million will be satisfied by the issue of up to 37,931,034 ordinary BreadTalk shares at S\$0.29 each (“the Consideration Shares”) to the Vendors, and was arrived at on the basis that Topwin Group’s profit after tax (excluding extraordinary items) for the financial year ending 31 December 2004 will not be less than S\$2 million.

BreadTalk will initially issue to the Vendors 34,137,930 Consideration Shares on completion of the acquisition. The balance of 3,793,104 Consideration Shares will be issued after audit and confirmation that Topwin Group's profit after tax (excluding extraordinary items) for the financial year ending 31 December 2004 is equal or more than S\$2 million. Should Topwin Group's profit after tax (excluding extraordinary items) be less than S\$2 million but more than S\$1.8 million, BreadTalk will issue fewer balance Consideration Shares, calculated based on a pre-agreed pro-rata formula. If Topwin Group's profit after tax (excluding extraordinary items) is equal to or less than S\$1.8 million, none of the balance Consideration Shares will be issued.

### ***About Topwin***

Topwin, which owns the Megabite chain of food courts, registered an unaudited turnover of S\$11 million and profit before tax of S\$1.2 million for the six months period ended 30 June 2004. After BreadTalk's proposed acquisition of Topwin, Megabite will become a wholly-owned subsidiary of the Group.

Megabite was the first international food court concept introduced in Shanghai in 1997. Since then, Megabite has grown into a group of 13 food courts and expanded beyond Shanghai, to Beijing, Tianjin and Nanning. Megabite has also established presence in Shenyang, which is owned and operated by a Shenyang franchisee. In 2003, Megabite received accolades such as Shanghai's "Most Trendy Food Court" ("上海0大场所之最时尚美食广场") and "Top 38 Branded Enterprises" ("上海著名38家品牌企业") awards. Today, Megabite's innovative food courts offer a wide variety of food items of various local and international cuisines, and attract a patronage of about 1 million customers every month.

### ***Rationale for the Acquisition***

Dr George Quek, BreadTalk's Group Managing Director said, "Having a proven track record for the last 7 years, Topwin's Megabite brand has managed to secure a strong market positioning in Shanghai and Beijing, and even cities beyond. The Directors of BreadTalk feel that acquiring Megabite will provide a boost to BreadTalk's penetration into the PRC and its

heartland. This acquisition marks another significant leap in our growth strategy of expanding our bakery and food and beverage operations in the region, particularly the PRC.”

“The consumer and retail market in China is vast and not homogeneous. Although BreadTalk has entered the PRC market through our wholly-owned BreadTalk stores in Shanghai and Beijing, it makes business sense to leverage on Megabite’s longer experience, network and relationships in the PRC. This acquisition will also enable us to derive higher levels of efficiency as we pool our resources together to bring greater value-add to shareholders,” Dr Quek explained.

“After achieving notable success in the PRC F&B industry, we are excited about this new phase of growth for Megabite. Our relationship with Dr Quek goes back a long way and we are confident we will benefit significantly from this combination of strengths. Moving forward, besides achieving synergies and cost savings, we will also tap on each other’s strengths to increase our penetration and presence in the F&B market in China and beyond,” said Mr Chen Poh On, Managing Director of the Megabite group and a shareholder in Topwin. Mr Chen, a Singaporean, has been living in China for the past 9 years and played a key role in setting up Megabite since day one.

Dr Quek and key members of BreadTalk’s top management have, on average, between five to 10 years experience in managing food courts in Singapore.

The Group’s acquisition of Topwin is subject to, amongst other things, the approval of BreadTalk’s board of directors and shareholders at an extraordinary general meeting, the completion of all legal and financial due diligence of Topwin Group, as well as the obtaining of the relevant regulatory and government approvals.

### ***Expanding Regionally***

This latest acquisition marks a significant milestone in BreadTalk’s corporate history and further reinforces the Group’s long-term overseas growth strategy.

To date, the Group has 24 wholly-owned bakery outlets in Singapore, as well as seven in Shanghai and one in Beijing, China. In terms of franchise outlets, the Group has seven in

Jakarta and one in Surabaya, Indonesia; one in Taipei, Taiwan; two in Kuala Lumpur, Malaysia; two in Manila, Philippines; and two in Kuwait.

By the end of this year, the Group is targeting to open an additional two bakery outlets in Beijing; and one outlet each in Bandung (Indonesia), Manila and Kuwait. In addition, the Group plans to replicate the success of its Din Tai Fung restaurant at Paragon, by opening a second outlet at Junction 8.

### ***About BreadTalk***

*Founded in 2000, BreadTalk has grown to become a recognisable brand in the food and beverage industry in Singapore. The brand is known for the way it has revolutionised the culture of bread consumption with its visually appealing, aromatic and unique-tasting products. To date, the brand has 24 bakery outlets in Singapore, and has also gone regional with seven wholly-owned stores in Shanghai and one in Beijing; seven franchise outlets in Jakarta and one in Surabaya; one franchise outlet in Taiwan; and two franchise outlets in each country - Kuwait, Malaysia and the Philippines.*

*In addition, the Group has diversified into the restaurant business, opening the world-renowned Din Tai Fung restaurant which was rated by The New York Times as one of the world's top 10 restaurants in 1993. Started in Taiwan more than 30 years ago, Din Tai Fung built its reputation on its famous xiao long bao – flavourful meat stuffing and stock wrapped with delicate yet firm dumpling skin.*

*In 2004, BreadTalk received a merit award at SIAS Most Transparent Company Awards. BreadTalk's efforts at building strong brand equity have also earned it numerous awards, including Singapore Promising Brand Award (SPBA)'s "Silver Award" in 2004, "Singapore Most Distinctive Brand Award" in 2003 and 2004, as well as the "Singapore Most Popular Brand Award 2002" awarded by the Association of Small and Medium Enterprises (ASME) and Singapore Press Holdings. In 2002, Group Managing Director Dr George Quek also clinched the "Entrepreneur of the Year" award given by ASME and the Rotary Club of Singapore.*

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