BREADTALK GROUP LIMITED (Co. Reg. No. 200302045G)

THE PROPOSED ACQUISITION OF THE ENTIRE ISSUED AND PAID-UP SHARE CAPITAL OF TOPWIN INVESTMENT HOLDING PTE LTD

1. BACKGROUND INFORMATION

The Board of Directors of Breadtalk Group Limited (***Company or Breadtalk***) wishes to announce that the Company has on 21 October 2004 entered into a conditional sale and purchase agreement (***Agreement***) with George Quek Meng Tong (***George Quek***), Frankie Quek Swee Heng (***Frankie Quek***) and Chen Poh On (***CPO***) (George Quek, Frankie Quek and CPO are referred to collectively as the ***Vendors***), to acquire 100% of the issued and paid up share capital (***Sale Shares***) in Topwin Investment Holding Pte Ltd (***Topwin***) (***Proposed Acquisition***). The Agreement takes effect from 1 July 2004.

The issued and paid up share capital in Topwin comprises 3,410,500 ordinary shares of par value S$1.00 each, of which 2,455,559 ordinary shares are owned by George Quek, 954,940 ordinary shares are owned by CPO and 1 ordinary share is owned by Frankie Quek.

2. INFORMATION ON THE TOPWIN GROUP

Topwin was incorporated in Singapore on 20 February 1992 as a private company limited by shares. As at the date of this announcement, Topwin has an authorised capital of S$5,000,000 comprising 5,000,000 ordinary shares of par value S$1.00 each and an issued and paid up capital of S$3,410,500 comprising 3,410,500 ordinary shares of par value S$1.00 each. The principal activities of Topwin are investment holding and real estate development.

As at the date of this announcement, Topwin has the following subsidiaries:

(a) Shanghai Da Shi Dai Foods Co., Ltd, a company incorporated on 1 July 1998 in the People's Republic of China (***PRC***) with a registered capital of US$500,000;

(b) Shanghai Xin Jia Fang Food & Beverage Co., Ltd, a company incorporated on 30 April 1997 in the PRC with a registered capital of US$1,000,000;

(c) Shanghai Hui Xin Restaurant Co., Ltd, a company incorporated on 22 October 1998 in the PRC with a registered capital of US$500,000;

(d) Beijing Da Shi Dai Foods Co., Ltd, a company incorporated on 26 June 2000 in the PRC with a registered capital of US$500,000; and

(e) Nanning Da Shi Dai Foods & Beverage Co., Ltd, a company incorporated on 16 July 2004 in the PRC with a registered capital of US$60,000.

Topwin and each of its subsidiaries in the PRC are collectively referred to as the ***Topwin Group***.

The Topwin Group is principally engaged in the business of operating food courts in the PRC.

3. DETAILS OF THE PROPOSED ACQUISITION

3.1 Purchase Consideration

The total consideration for the purchase of the Sale Shares shall be the sum of S$11,000,000, to be satisfied by the allotment by the Company to the Vendors of an aggregate of up to 37,931,034 (rounded down to the nearest whole number) ordinary shares in the share capital of the Company at an issue price of S$0.29 for each ordinary share (***Consideration Shares***) credited as fully paid up, as follows:-

(a) On completion of the sale and purchase of the Sale Shares (***Completion***), 34,137,930 Consideration Shares shall be allotted by the Company to the Vendors in the proportion of their respective shareholdings in Topwin.

(b) Within 7 business days after the consolidated audited accounts of Topwin Group for financial year ending 31 December 2004 (***FY 2004 Accounts***) are delivered to the Company (***Balance Consideration Payment Date***), the Company shall allot to the Vendors such number of Consideration Shares (***Balance Consideration Shares***) to be determined as follows:

(i) If the profit after tax (excluding extraordinary items) of Topwin Group for financial year ending 31 December 2004 as derived from the FY 2004 Accounts is equal to or more than S$2,000,000, the Balance Consideration Shares to be allotted to the Vendors shall be 3,793,104.

(ii) If the profit after tax (excluding extraordinary items) of Topwin Group for financial year ending 31 December 2004 as derived from the FY 2004 Accounts is more than S$1,800,000 but less than S$2,000,000, the Balance Consideration Shares to be allotted to the Vendors shall be calculated in accordance with the following formula:

$$\text{Balance Consideration Shares} = \frac{(P - S\$1,800,000)}{S\$200,000} \times 3,793,104$$

where P = profit after tax (excluding extraordinary items) of Topwin Group for financial year ending 31 December 2004 as derived from the FY 2004 Accounts.

(iii) If the profit after tax (excluding extraordinary items) of Topwin Group for financial year ending 31 December 2004 as derived from the FY 2004 Accounts is equal to or less than $1,800,000, the Balance Consideration Shares to be allotted to the Vendors shall be zero.

The number of Balance Consideration Shares to be allotted to each of the Vendors shall be proportionate to their respective shareholdings in Topwin.

The consideration was determined at arm's length and on a "willing buyer- willing seller" basis.

3.2 Conditions Precedents

The Agreement is conditional upon the following conditions having been fulfilled (or waived):

(a) the approval of the board of directors and shareholders of the Company for the transactions contemplated under the Agreement;

(b) the Company having obtained all necessary consents, approvals and waivers from the Singapore Exchange Securities Trading Limited (***SGX-ST***) for the transactions described in the Agreement, and such consents, approvals and waivers not having been amended or revoked before Completion, and if any such consents, approvals or waivers are subject to conditions, such conditions being acceptable to the Company;

(c) in-principle approval from the SGX-ST for the admission of the Consideration Shares to the Official List of the SGX-ST having been obtained on terms (if any) acceptable to the Company, and not having been withdrawn or amended, on or before Completion;

(d) the completion by the Completion date, and satisfactory outcome, of all financial and legal due diligence investigations by the Company into the financial, contractual, tax and trading positions, and prospects, of the Topwin Group and title to its assets; and

(e) the delivery to the Company of (i) a service agreement duly executed by Topwin and CPO; and (ii) a service agreement duly executed by Topwin and Jenson Ong Chin Hock, a senior employee in the Topwin Group, in such form satisfactory to the Company.

(f) The Agreement shall automatically terminate if any of the above conditions precedent has not been fulfilled (or waived) on or prior to 31 May 2005 (or such other date as may be agreed between the Vendors and the Company).

3.3 Completion

Completion will take place within 7 business days after the date on which the last of the outstanding conditions precedent in the Agreement is fulfilled or waived or such other date as may be agreed in writing by the Company and the Vendors.

3.4 Completion of Conversions into WFOE

As at the date of this announcement, the process of converting Shanghai Hui Xin Restaurant Co., Ltd into a wholly foreign owned enterprise has not been completed. The Vendors undertake to obtain all relevant approvals and do all that is necessary to complete the conversion of Shanghai Hui Xin Restaurant Co., Ltd into a wholly foreign owned enterprise within six (6) months from Completion.

3.5 Moratorium

Each of the Vendors agrees that he shall not transfer:

(a) any of the Consideration Shares allotted and issued to him at any time during the period of 1 year from the date such Consideration Shares are allotted and issued to him; and

(b) more than fifty per cent. (50%) of the Consideration Shares allotted and issued to him at any time after the expiry of 1 year but before the expiry of 2 years from the date such Consideration Shares are allotted and issued to him.

4. VALUE OF ASSETS BEING ACQUIRED

The net tangible (liability) asset value of Topwin Group, based on the audited financial statements of Topwin Group as at 31 December 2003 ("FY2003") and the unaudited management accounts of Topwin Group as at 30 June 2004 ("HY2004") was (S$868,625) and S$345,739 respectively.

5. NET PROFITS ATTRIBUTABLE TO THE ASSETS BEING ACQUIRED

The net profits attributable to the Proposed Acquisition based on the audited financial statements of Topwin Group for the financial year ended 31 December 2003 and the unaudited management accounts of Topwin Group for the financial period ended 30 June 2004 is S$140,530 and S$1,200,108 respectively.

6. FINANCIAL EFFECTS

The pro forma financial effects of the Acquisition are for illustration purposes only and do not reflect the future financial results or position of the enlarged group after the completion of the Acquisition. It is also not necessarily indicative of results of the operations or related effects on the financial position that could have been attained had the enlarged group actually existed at an earlier date.

The pro forma financial effects of the Proposed Acquisition have been prepared based on the following assumptions: -

(a) for the purpose of computing the pro forma financial effects of the Proposed Acquisition on the consolidated earnings of the Company, the Proposed Acquisition is assumed to have taken place on 1 January 2003 and 1 January 2004;

(b) for the purpose of computing the pro forma financial effects of the Proposed Acquisition on the consolidated NAV of the Company, the Proposed Acquisition is assumed to have taken place on 31 December 2003 and 30 June 2004; and

(c) for the purpose of computing the pro forma financial effects of the Proposed Acquisition, the Consideration is assumed to be funded by the issuance of 37,931,034 new Consideration Shares.

The pro forma goodwill arising on consolidation (approximately S$11.9 million and S$10.7 million in FY2003 and HY2004 respectively) included in the pro forma financial statements for illustration purposes have been computed based on the Average Price of S$0.29 assuming that all the Topwin shareholders accept the share swap resulting in 37,931,034 Consideration Shares being issued on completion of the Proposed Acquisition.

The Directors of BreadTalk note that in July 2004, the Council for Corporate Disclosure and Governance issued FRS 103 "Business Combinations". The new accounting standard, amongst other things, require goodwill to be carried on the balance sheet of an acquirer at cost without amortization but instead be subjected to annual impairment review. FRS 103 permits, and the Company intends to apply the requirements of FRS 103 to this acquisition. The directors of BreadTalk have decided to early adopt FRS 103 and, accordingly, the pro forma financial statements do not take into account any goodwill amortization.

Net Assets Value ("NAV")

For illustrative purposes only and subject to the assumptions above, the pro forma financial effect of the Proposed Acquisition on the NAV per BreadTalk share as at 31 December 2003 and 30 June 2004 (assuming that the Proposed Acquisition had taken place on 31 December 2003 and 30 June 2004 respectively) is as follows:

	HY2004[1]		**FY2003**	
	Before the Proposed Acquisition	**(Pro forma) After the Proposed Acquisition**	**Before the Proposed Acquisition**	**(Pro forma) After the Proposed Acquisition**
NAV (excluding minority interest) (S$'000)	12,540	24,754	12,688	23,826
Number of BreadTalk Shares ('000)	162,980	200,911	162,980	200,911
NAV per BreadTalk Share (cents)	7.69	12.32	7.79	11.86

[1] Based on the unaudited management accounts of BreadTalk and Topwin Group for the 6 months ended 30 June 2004.

Profit per BreadTalk Share

For illustrative purposes only and subject to the above assumptions, the pro forma financial effect of the Proposed Acquisition on the earnings per BreadTalk Share ("EPS") for the financial year ended 31 December 2003 and financial period ended 30 June 2004 (assuming that the Proposed Acquisition had taken place on 1 January 2003 and 1 January 2004 respectively) is as follows:

	HY2004[1]		**FY2003**	
	Before the Proposed Acquisition	**(Pro forma) After the Proposed Acquisition**	**Before the Proposed Acquisition**	**(Pro forma) After the Proposed Acquisition**
(Loss) profit attributable to shareholders (after minority interest) (S$'000)	(155)	1,045	613	753
Number of BreadTalk Shares ('000)	162,980	200,911	162,980	200,911
EPS [2] (cents)	(0.10)	0.52	0.38	0.37

[1] Based on the unaudited management accounts of BreadTalk and Topwin Group for the 6 months ended 30 June 2004.

[(2)] EPS for HY2004 and FY2003 is computed based on profit attributable to shareholders (after minority interest) divided by the number of BreadTalk Shares existing as at 30 June 2004 and 31 December 2003 respectively.

7. RATIONALE FOR THE PROPOSED ACQUISITION

The Proposed Acquisition will provide a boost to BreadTalk's penetration into the PRC and its heartland. This Acquisition will provide positive synergy and will enable us to derive higher levels of efficiency as we pool our resources together to bring greater value-add to shareholders. The Proposed Acquisition is also expected to further diversify the Company's business activities and customer base.

8. INTERESTS OF DIRECTORS AND/OR SUBSTANTIAL SHAREHOLDERS

George Quek, is one of the Vendors in the Proposed Acquisition and is also a Director of the Company and a substantial shareholder by virtue of his 31.99% shareholding interest in the Company. George Quek is therefore by virtue of being a Director and substantial shareholder, deemed interested in the Acquisition.

Frankie Quek is one of the Vendors in the Proposed Acquisition and is also a substantial shareholder of the Company by virtue of his 4.02% shareholding interest in the Company. Frankie Quek is also the brother of George Quek, who is interested in the Proposed Acquisition. As such, Frankie Quek, by virtue of being a substantial shareholder and an associate of George Quek, is deemed interested in the Acquisition.

Katherine Lee Lih Leng, a Director of the Company and also a substantial shareholder by virtue of her 26.72% shareholding interest in the Company is the spouse of George Quek. Although Katherine Lee Lih Leng has no interest in the Topwin Group, she is, by virtue of being an associate of George Quek, deemed interested in the Proposed Acquisition.

Accordingly, George Quek, Frankie Quek and Katherine Lee Lih Leng will abstain from voting on the ordinary resolution relating to the Proposed Acquisition to be proposed at the extraordinary general meeting (***EGM***) to be convened shortly to approve the Proposed Acquisition

9. INTERESTED PARTY TRANSACTIONS

Two of the Vendors, George Quek and Frankie Quek, have a deemed interest of 30.74% and 31.99% respectively in the issued and paid-up capital of the Company.

Based on George Quek's and Frankie Quek's deemed interest in the Company, they are considered controlling shareholders of the Company. George Quek is also a Director of the Company. Accordingly, the Proposed Acquisition is also an interested person transaction for the purposes of Chapter 9 of the Listing Manual.

10. INDEPENDENT FINANCIAL ADVISER

HL Bank has been appointed as the independent financial adviser to advise the independent directors on whether the terms of the Proposed Acquisition are on normal commercial terms or prejudicial to the interests of the Company and the minority shareholders.

11. AUDIT COMMITTEE

The Audit Committee is obtaining an opinion from an independent financial adviser before forming its view, which will be announced subsequently.

12. INTERESTED PERSON TRANSACTIONS

The current total for all transactions with George Quek is approximately S$71,000 for the nine months period ended 30 September 2004. There are no other interested party transactions with Frankie Quek.

13. REQUIREMENT FOR SHAREHOLDERS' APPROVAL

Under Rule 1014 of the Listing Manual, shareholders' approval must be sought for "major transactions", i.e., if any of the relative figures computed on the bases set out in Rule 1006 exceeds 20%.

The relative figures computed on the bases set out in Rule 1006 assuming a total of 37,931,034 Consideration Shares are issued are as follows:-

	Bases	**As at 31 December 2003**
(a)	net asset value of the assets to be disposed of, compared with the group's net asset value	NA
(b)	net profits attributable to the assets acquired compared with the group's net profits	***14.6%***
(c)	Aggregate value of consideration given compared with issuer's market capitalisation as at 31 December 2003	***20.8%***
(d)	Number of equity securities issued by issuer as consideration for acquisition, compared with number of equity securities previously in issue	***23.3%***

The Proposed Acquisition is therefore a "major transaction" on the basis of Rules 1006 (c) and (d) of the Listing Manual and is subject to shareholders' approval in a general meeting.

The Proposed Acquisition has a value in excess of 5% of the latest audited net tangible asset of the Company as at 31 December 2003 and 30 June 2004 of approximately S$10.4 million and S$10.4 million respectively. The Proposed Acquisition is therefore subject to approval of shareholders in a general meeting.

14. Documents for Inspection

Copies of the Agreement are available for inspection at the registered office of the Company at 171 Kampong Ampat, #05-01 to 06 KA FoodLink, Singapore 368330 during office hours for 3 months from the date of this Announcement.

15. EGM

A circular will be despatched to the shareholders shortly for purposes of convening an EGM to approve the Proposed Acquisition.

ON BEHALF OF THE BOARD

GEORGE QUEK MENG TONG
MANAGING DIRECTOR
21 OCTOBER 2004