

BREADTALK GROUP LIMITED

Financial Statement and Dividend Announcement For The Half Year Ended 30 June 2006

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (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 2006. The figures presented below have not been audited.

	Group		Increase/ (Decrease)
	Half Year Ended 30 June		
	2006	2005	
	\$000	\$000	
Revenue	55,932	42,329	32.1%
Cost of sales	<u>(24,948)</u>	<u>(18,431)</u>	35.4%
Gross profit	30,984	23,898	29.7%
Other operating income	1,820	1,524	19.4%
Distribution and selling expenses	(20,539)	(16,305)	26.0%
Administrative expenses	(8,737)	(6,918)	26.3%
Profit from operations	<u>3,528</u>	<u>2,199</u>	60.4%
Interest income	61	37	64.9%
Interest expense	(385)	(191)	101.6%
Bank charges	<u>(130)</u>	<u>(75)</u>	73.3%
Profit before tax and and share of results of associates and joint ventures	3,074	1,970	56.0%
Share of results of associates	(226)	(145)	55.9%
Share of results of joint ventures	<u>64</u>	<u>-</u>	N.A.
Profit before tax	2,912	1,825	59.6%
Tax expense	<u>(634)</u>	<u>(982)</u>	-35.4%
Profit after tax	<u><u>2,278</u></u>	<u><u>843</u></u>	170.2%
Attributable to:			
Shareholders of the Company	1,881	493	281.5%
Minority interests	<u>397</u>	<u>350</u>	13.4%
	<u><u>2,278</u></u>	<u><u>843</u></u>	170.2%

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		
	2006	2005	
	\$000	\$000	
Depreciation and amortisation	4,106	3,088	33.0%
Operating lease expenses	11,793	9,418	25.2%
Personnel expenses	15,930	11,106	43.4%
(Gain) Loss on disposal of fixed assets	(75)	70	N.M.
Gain on liquidation of a subsidiary	(98)	-	N.A.
Plant and equipment written off	123	269	-54.3%
Foreign exchange loss (gain), net	39	(51)	N.M.
Overprovision of tax in respect of prior years, net	(88)	-	N.A.

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	
	30.6.2006 \$000	31.12.2005 \$000	30.6.2006 \$000	31.12.2005 \$000
Non-current assets				
Property, plant and equipment	30,624	24,571	2	-
Investment in subsidiaries	-	-	21,639	17,281
Investment in associates	727	766	-	-
Investment in joint ventures	1,954	1,890	-	-
Intangible assets	8,625	8,881	-	-
Long-term prepayments	5	-	-	-
	<u>41,935</u>	<u>36,108</u>	<u>21,641</u>	<u>17,281</u>
Current assets				
Inventories	1,898	1,700	-	-
Trade receivables	2,333	2,475	-	-
Other receivables and deposits	7,464	6,058	1	-
Prepayments	736	609	4	7
Amount due from subsidiaries (non-trade)	-	-	150	4,670
Amount due from associates (trade)	1,215	411	-	-
Amount due from associates (non-trade)	807	1,254	-	-
Amount due from joint ventures (trade)	1	-	-	-
Amount due from joint ventures (non-trade)	265	313	-	-
Fixed deposits	1,440	1,603	-	-
Cash on hand and at bank	10,479	14,069	464	182
	<u>26,638</u>	<u>28,492</u>	<u>619</u>	<u>4,859</u>
Current liabilities				
Trade payables	7,833	7,858	-	-
Other payables and accruals	17,457	17,551	580	266
Amount due to subsidiaries (non-trade)	-	-	446	563
Amount due to associates (trade)	-	71	-	-
Amount due to associates (non-trade)	370	261	-	-
Amount due to joint ventures (non-trade)	69	6	-	-
Loan from minority shareholder of a subsidiary	-	86	-	-
Finance lease obligations, secured	111	162	-	-
Short term loan, secured	4,246	3,293	-	-
Long-term loans, secured	2,985	2,958	-	-
Tax payable	1,172	1,742	19	12
	<u>34,243</u>	<u>33,988</u>	<u>1,045</u>	<u>841</u>
Net current (liabilities) assets	(7,605)	(5,496)	(426)	4,018
Non-current liabilities				
Long-term loans, secured	5,057	3,005	-	-
Finance lease obligations, secured	256	139	-	-
Loan from minority shareholder of a subsidiary	62	64	-	-
Amount due to landlord (non-trade)	190	738	-	-
Deferred tax liabilities	961	912	-	-
	<u>6,526</u>	<u>4,858</u>	<u>-</u>	<u>-</u>
	<u>27,804</u>	<u>25,754</u>	<u>21,215</u>	<u>21,299</u>
Share capital and reserves				
Share capital	21,516	8,036	21,516	8,036
Share premium	-	13,480	-	13,480
Accumulated profits (losses)	3,955	2,074	(301)	(217)
Translation reserve	(140)	88	-	-
	<u>25,331</u>	<u>23,678</u>	<u>21,215</u>	<u>21,299</u>
Minority interests	2,473	2,076	-	-
	<u>27,804</u>	<u>25,754</u>	<u>21,215</u>	<u>21,299</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 30.6.2006		As at 31.12.2005	
Secured	Unsecured	Secured	Unsecured
\$000	\$000	\$000	\$000
7,342	-	6,413	86

Amount repayable after one year

As at 30.6.2006		As at 31.12.2005	
Secured	Unsecured	Secured	Unsecured
\$000	\$000	\$000	\$000
5,313	62	3,144	64

Details of any collateral

(1) As at 30 June 2006, the Group's term loans totalling \$12,288,000 are secured by certain fixed deposits and cash at bank amounting to \$1,440,000, 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 and in some cases, together with corporate guarantees issued by the Company.

(3) As at 30 June 2006, 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	
	2006	2005
	\$000	\$000
Cashflows from operating activities		
Profit before tax	2,912	1,825
Adjustments for:		
Share of results of associates	226	145
Share of results of joint ventures	(64)	-
Depreciation of property, plant and equipment	3,846	3,014
Amortisation of intangible assets	260	74
Impairment loss of brand value	99	-
Gain on liquidation of a subsidiary	(98)	-
(Gain) Loss on disposal of plant and equipment	(75)	70
Plant and equipment written off	123	269
Provision for doubtful debts	-	202
Writedown of inventories	-	6
Interest expense and bank charges	515	266
Interest income	(61)	(37)
Translation difference	271	(210)
Operating profit before working capital changes	7,954	5,624
(Increase)/ decrease in:		
Inventories	(209)	(143)
Trade receivables	141	(519)
Other receivables and deposits	(1,535)	(2,688)
Prepayments	(131)	145
Amount due from associates (trade)	(804)	(16)
Amount due from associates (non-trade)	447	35
Amount due from joint ventures (trade)	(1)	-
Amount due from joint ventures (non-trade)	48	-
Increase/ (decrease) in:		
Trade payables	72	929
Other payables and accruals	(51)	1,871
Amount due to associates (trade)	(71)	-
Amount due to associates (non-trade)	108	-
Amount due to joint ventures (non-trade)	63	-
Cash generated from operations	6,031	5,238
Tax paid	(1,145)	(578)
Net cash flow from operating activities	4,886	4,660

Cash flows from investing activities

Interest income received	61	37
Purchase of property, plant and equipment	(11,009)	(7,738)
Proceeds from disposal of plant and equipment	202	33
Acquisition of intangible assets	(103)	(64)
Net cash inflow on acquisition of a subsidiary	-	5,727
Net cash outflow on liquidation of a subsidiary	(31)	-
Loan to an associate	-	(357)
Investment in associates	(260)	(53)
Net cash flow used in investing activities	(11,140)	(2,415)

Cash flows from financing activities

Decrease in fixed deposits and cash at bank pledged	152	480
Interest expense and bank charges paid	(503)	(266)
Amount due to landlords	-	413
Net proceeds (repayment) of finance lease obligations	66	(136)
Net proceeds of short-term loan	953	403
Net financing (repayment) of long-term loans	2,079	(593)
Capital contribution from a minority shareholder	-	97
Loan from a minority shareholder	(83)	11
Net cash flow from financing activities	2,664	409

Net (decrease) increase in cash and cash equivalents	(3,590)	2,654
Cash and cash equivalents at beginning of period	14,069	7,912
Cash and cash equivalents at end of period	10,479	10,566

Note: Cash and cash equivalents

Cash on hand and at bank	10,479	10,671
Fixed deposits	1,440	1,506
	11,919	12,177
Less: Fixed deposits and cash at bank pledged	(1,440)	(1,611)
Cash and cash equivalents	10,479	10,566

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			
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Group								
As at 1 January 2005	6,519	5,135	452	(87)	582	12,601	1,262	13,863
Transfer of reserves	-	-	(452)	-	452	-	-	-
Issuance of new shares	1,517	8,345	-	-	-	9,862	-	9,862
Issuance of new shares to minority shareholders	-	-	-	-	-	-	97	97
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
As at 1 January 2006	8,036	13,480	-	88	2,074	23,678	2,076	25,754
Transfer to share capital*	13,480	(13,480)	-	-	-	-	-	-
Translation difference	-	-	-	(228)	-	(228)	-	(228)
Net profit for the period	-	-	-	-	1,881	1,881	397	2,278
As at 30 June 2006	21,516	-	-	(140)	3,955	25,331	2,473	27,804
	Share capital	Share premium	Accumulated profits / (losses)	Total				
	\$000	\$000	\$000	\$000				
Company								
As at 1 January 2005	6,519	5,135	8	11,662				
Issuance of new shares	1,517	8,345	-	9,862				
Net profit for the period	-	-	22	22				
As at 30 June 2005	8,036	13,480	30	21,546				
As at 1 January 2006	8,036	13,480	(217)	21,299				
Transfer to share capital*	13,480	(13,480)	-	-				
Net loss for the period	-	-	(84)	(84)				
As at 30 June 2006	21,516	-	(301)	21,215				

* Under the Companies (Amendment) Act 2005 effective 30 January 2006, the concepts of par value and authorised share capital are abolished.

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 2006, there were no changes in the Company's share capital.

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 2005.

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

None.

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	
	HY2006	HY2005
Earnings per ordinary share for the period:		
(a) Based on weighted average number of ordinary shares in issue	0.94 cents	0.28 cents
Weighted average number of ordinary shares	200,911,034	175,623,678
(b) On a fully diluted basis	0.94 cents	0.28 cents
Adjusted weighted average number of ordinary shares	200,911,034	175,623,678

As at 30 June 2006, 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	
	30.6.2006	31.12.2005	30.6.2006	31.12.2005
Net asset value per ordinary share based on issued share capital as at the end of period reported on	<u>12.6 cents</u>	<u>11.8 cents</u>	<u>10.6 cents</u>	<u>10.6 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

Overview

For the first six months ended 30 June 2006, the Group achieved strong half-yearly revenue and net profit growth on the back of a successful expansion drive. Group revenue rose 32.1% to \$55.9 million in 1H06 lifted by broad-based growth across all three business segments. Net profit jumped nearly 4-fold to \$1.9 million in 1H06, surpassing the \$1.0 million posted by the Group for the whole of FY2005.

Revenue

The Group's revenue increased 32.1% from \$42.3 million in 1H05 to \$55.9 million in 1H06. All business segments registered revenue growth supported by sound branding strategies and focused expansion.

	HY2006		HY2005		Increase/ (Decrease)	
	\$000	% Contribution	\$000	% Contribution	\$000	
Bakery sales	25,389	45.4%	20,930	49.5%	4,459	21.3%
Franchise revenue	3,390	6.1%	1,351	3.2%	2,039	150.9%
Foodcourts revenue	17,513	31.3%	12,246	28.9%	5,267	43.0%
Restaurant sales	9,640	17.2%	7,802	18.4%	1,838	23.6%
	<u>55,932</u>	<u>100.0%</u>	<u>42,329</u>	<u>100.0%</u>	<u>13,603</u>	<u>32.1%</u>

Bakery

Number of bakery outlets owned and operated by the Group:

	As At		
	30-Jun-06	31-Dec-05	30-Jun-05
Singapore	24	24	24
PRC:			
- Shanghai	11	11	11
- Beijing/ Tianjin	8	5	4
- Shenzhen**	-	-	3
Thailand	1	1	-
	<u>44</u>	<u>41</u>	<u>42</u>

Bakery sales rose 21.3% to \$25.4 million in 1H06 driven by strong growth in the China outlets and improved Singapore sales. Sales growth in Singapore was a result of rationalization of retail portfolio and successful launch of the Toastbox and BreadTalk Transit concepts. Bakery operations remained the Group's largest revenue contributor, representing 45.4% of Group revenue in 1H06.

Franchise

Franchised bakery network:

	As At		
	30-Jun-06	31-Dec-05	30-Jun-05
Indonesia	21	15	12
Philippines	7	6	4
Kuwait	4	3	3
UAE	3	3	-
Malaysia*	4	3	2
Taiwan*	1	1	-
India	1	-	-
PRC:			
- Hong Kong*	4	3	1
- Shenzhen**	4	3	-
- Nanjing	2	1	-
- Hangzhou	2	-	-
- Chengdu	2	-	-
- Chongqing	1	-	-
	<u>56</u>	<u>38</u>	<u>22</u>

*Associated company

** Became a 30%-owned associated company in September 2005 when the Group divested 70% of its interest in the Shenzhen subsidiary.

Franchise business spearheaded revenue growth in percentage terms, rising 150.9% to \$3.4 million in 1H06. The improvement came from higher royalties and raw materials sales to franchisees arising from a net increase of 34 franchised outlets since June 2005 as well as recognition of franchise fees from existing franchisees in China and India. During 1H06, the Group had a net increase of 18 franchised outlets and signed on a new master franchisee in Chongqing to capitalize on its growing brand equity. Retail activities were buoyant at the outlets, boosted by the wide popularity of BreadTalk retail concepts and innovative products in these major cities.

Food Courts

The Group's second largest revenue contributor, food courts led revenue growth in dollar term, rising 43.0% or \$5.3 million to \$17.5 million. Increase was spurred by strong maiden 1H contributions by the new food courts in Singapore, Hong Kong and Beijing launched in October 2005, December 2005 and April 2006 respectively. In 1H2006, the Group closed its loss-making food court in Nanning. The Group now owns 15 food courts through Topwin Investment Holding – 10 in Shanghai, 2 in Beijing, 1 in Tianjin, 1 in Hong Kong and 1 in Singapore. Going forward, the Group will rebrand all its food courts under Food Republic “大食代” food atrium brand name.

Restaurants

Restaurant sales increased 23.6% to \$9.6 million in 1H06 due to the expansion of the world-renowned Din Tai Fung restaurant network. Tampines Mall Din Tai Fung restaurant launched in April 2005 began its maiden full 1H contribution in 1H06. Wisma outlet which opened in December 2005 also added significantly to the growth. As at 30 June 2006, the Group operates four Din Tai Fung restaurants in Singapore – Paragon, Junction 8, Tampines Mall and Wisma Atria.

(B) Profitability

As the Group continued to scale up its operations across all business segments and achieve greater efficiencies, net profit soared nearly 4-fold from \$0.5 million in 1H05 to \$1.9 million in 1H06. At half-year mark as of June 2006, net profit had already almost doubled the \$1.0 million delivered in the full-year FY2005.

The Group's operating profits increased 60.4% from \$2.2 million to \$3.5 million in 1H06 mainly driven by the bakery and food court segments.

For the 1H 2006, the BreadTalk bakery business segments registered an operating profit of \$0.6 million in 1H06 compared to an operating loss of \$1.1 million in 1H05, driven mainly by franchising profits which grew in tandem with revenue growth, improved performance from its bakery operations in Shanghai, as well as de-consolidation of loss-making Shenzhen BreadTalk which became a 30%-owned associated company after the Group disposed of 70% of its stake in September 2005.

Food court operations maintained healthy overall operating profit in 1H06 of \$1.5 million (after deducting brand value amortisation charge of \$0.1 million), led by contributions from Megabite China and Hong Kong. The market acceptance of the Food Republic food atria in Singapore and Hong Kong has opened up fresh business opportunities for the Group. It opened the second food court in Beijing in April 2006, followed by its first food court in Chongqing in July 2006 and will launch its second food atrium in Vivocity, Singapore in 4Q06.

Despite higher sales achieved, the Group's restaurant business registered marginally lower operating profit in 1H06 of \$1.5 million compared to \$1.6 million in 1H05, as a result of relatively lower sales recovery on fixed costs incurred.

Interest expense for 1H06 increased 101.6% compared to 1H05 as the Group took up additional loans to finance its expansion.

Share of associates' losses arose from investments in Hong Kong and Taiwan BreadTalk franchises which have yet to turn profitable, while the Shenzhen franchise is close to breaking even in 1H06. Share of results from joint ventures arose from the 50% owned joint ventures which operate the Food Republic food atrium, as well as Pizza Walker and Free Banana restaurants at Wisma Atria in Singapore.

The Group's effective tax rate for 1H06 was relatively lower at 20.6%, given the statutory tax rates of 20% and 33% in Singapore and China respectively, mainly due to tax holiday enjoyed by BreadTalk Shanghai as well as utilisation of brought forward tax losses by certain subsidiaries which had turned profitable. There was also a writeback of overprovision of tax with respect to prior years amounting to \$88,000.

(C) Balance Sheet

Property, plant and equipment as at 30 June 2006 rose \$6.0 million or 24.6% to \$30.6 million compared to \$24.6 million as at 31 December 2005. The increase was mainly attributable to the purchase of a leasehold property (including renovation works) in Shanghai of approximately \$6.2m by Shanghai BreadTalk Co., Ltd and additions of plant and equipments of some \$4.8 million across all business units in line with the Group's business expansion, offset by depreciation charge for the period amounting to \$3.8 million, disposal / write off of certain assets as well as translation difference.

Other receivables and deposits increased by \$1.4 million mainly attributable to receivables from food court tenants in respect of the renovation cost for the new food courts in Beijing and Chongqing as well as certain existing food courts in Shanghai.

The Group's total borrowings increased by \$3.0 million, up from \$9.7 million as at 31 December 2005, to \$12.7 million as at 30 June 2006 as the Group took on additional loans to fund its acquisition of property, plant and equipment and business expansion.

The Group's net current liabilities as at 30 June 2006 of approximately \$7.6 million arose mainly from the purchase of property, plant and equipment amounting to \$11.0 million funded by a combination of cash and bank borrowings. Included in other payables is deferred revenue amounting to \$2.5 million, of which \$2.3 million relates to stored value card deposits of our food court customers in China. These current liabilities, because of their nature, are not expected to result in significant cash outflow from the Group within the next twelve months. In addition, the Group has unutilised banking facilities available for future use.

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

Having achieved improved profitability, the Group is optimistic of its business outlook for the rest of the year.

To sustain organic growth in key markets of Singapore, China and Hong Kong, new outlets will be strategically added to further expand the distribution network. On the bakery front, the Group will continue to rationalize its retail portfolio when leases expire in the older outlets.

In Singapore, a Din Tai Fung restaurant was opened in Raffles City in July 2006. A new food court is slated to open in Vivo City in the last quarter of 2006. The Group also plans to open 4 more food courts in Shanghai, Beijing and Chongqing, and launch more bakery outlets and franchise bakery in China as well as the rest of the region where booming economies are fueling rising consumption.

To take full advantage of its wide and growing network, the Group will continue to roll out an active pipeline of innovative new products and lifestyle F&B concepts. The Group will also ride on franchising as a key engine of growth to capitalize on BreadTalk's strong brand equity in staying ahead of competition.

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 2006 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
14 August 2006