

**BREADTALK GROUP LIMITED****Half Year Financial Statement And Dividend Announcement For The Period Ended 30 June 2004****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 2004. The figures presented below have not been audited.

	<b>Group</b>		Increase/ (Decrease) %
	<b>Half Year Ended 30 June</b>		
	<b>2004</b>	<b>2003*</b>	
	\$000	\$000	
Revenue	22,643	17,261	31.2%
Cost of sales	<u>(8,794)</u>	<u>(6,045)</u>	45.5%
Gross profit	13,849	11,216	23.5%
Other operating income	200	90	122.2%
Distribution and selling expenses	(10,353)	(8,516)	21.6%
Administrative expenses	(3,324)	(2,155)	54.2%
<b>Profit from operations</b>	<b><u>372</u></b>	<b><u>635</u></b>	-41.4%
Interest income	13	4	225.0%
Interest expense	(109)	(115)	-5.2%
Other financial expenses	<u>(44)</u>	<u>(8)</u>	450.0%
Profit before tax	232	516	-55.0%
Tax expense	<u>(200)</u>	<u>(212)</u>	-5.7%
Profit after tax	32	304	-89.5%
Minority interests	<u>(187)</u>	<u>-</u>	N.A.
Net (Loss)/Profit attributable to shareholders	<u><u>(155)</u></u>	<u><u>304</u></u>	-151.0%

\*The comparative figures of the Group for the half year ended 30 June 2003 have been prepared on a proforma basis as if the Group structure was in place during the entire period.

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

The profit before tax is arrived at after charging the following:

	<b>Group</b>		Increase/ (Decrease)
	<b>Half Year Ended 30 June</b>		
	<b>2004</b>	<b>2003*</b>	
	\$000	\$000	
Depreciation and amortisation	1,723	1,178	46.3%
Operating lease expenses	4,555	3,542	28.6%
Personnel expenses	6,965	5,219	33.5%
Loss on disposal of fixed assets	21	-	N.A.
Fixed assets written off	191	-	N.A.
Foreign exchange gain (net)	(2)	-	N.A.

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

N.A. - Not applicable

**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	
	30.6.2004 \$000	31.12.2003 \$000	30.6.2004 \$000	31.12.2003 \$000
<b>Non-current assets</b>				
Fixed assets	11,443	11,960	-	-
Investment in subsidiaries	-	-	7,039	6,539
Investment in associate	664	-	-	-
Intangible assets	238	187	-	-
Franchise rights	511	541	-	-
	<u>12,856</u>	<u>12,688</u>	<u>7,039</u>	<u>6,539</u>
<b>Current assets</b>				
Inventories	1,390	799	-	-
Trade receivables	1,328	1,334	-	-
Other receivables, deposits and prepayments	3,378	2,766	79	14
Due from subsidiaries (non-trade)	-	-	2,545	2,174
Due from associate (trade)	294	-	-	-
Due from associate (non-trade)	68	-	-	-
Fixed deposits	3,459	4,213	2,205	2,958
Cash on hand and at bank	3,357	4,457	58	124
	<u>13,274</u>	<u>13,569</u>	<u>4,887</u>	<u>5,270</u>
<b>Current liabilities</b>				
Trade payables	4,068	3,082	-	-
Other payables and accrued expenses	3,503	4,055	157	157
Deferred revenue	2	-	-	-
Amount due to a minority shareholder	131	-	-	-
Provision for income tax	263	118	23	-
Term loans (current portion)	1,528	1,479	-	-
Finance lease obligations (current portion)	268	265	-	-
	<u>9,763</u>	<u>8,999</u>	<u>180</u>	<u>157</u>
<b>Net current assets</b>	<b>3,511</b>	<b>4,570</b>	<b>4,707</b>	<b>5,113</b>
<b>Non-current liabilities</b>				
Term loans (non-current portion)	1,622	2,418	-	-
Finance lease obligations (non-current portion)	315	450	-	-
Deferred tax	961	961	-	-
	<u>2,898</u>	<u>3,829</u>	<u>-</u>	<u>-</u>
	<u>13,469</u>	<u>13,429</u>	<u>11,746</u>	<u>11,652</u>
<b>Share capital and reserves</b>				
Share capital	6,519	6,519	6,519	6,519
Share premium	5,135	5,135	5,135	5,135
Capital reserve	452	452	-	-
Accumulated profits (losses)	458	613	92	(2)
Translation reserve	(24)	(31)	-	-
	<u>12,540</u>	<u>12,688</u>	<u>11,746</u>	<u>11,652</u>
Minority interests	929	741	-	-
	<u>13,469</u>	<u>13,429</u>	<u>11,746</u>	<u>11,652</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 30.6.2004		As at 31.12.2003	
Secured	Unsecured	Secured	Unsecured
\$000	\$000	\$000	\$000
1,796	-	1,744	-

**Amount repayable after one year**

As at 30.6.2004		As at 31.12.2003	
Secured	Unsecured	Secured	Unsecured
\$000	\$000	\$000	\$000
1,937	-	2,868	-

**Details of any collateral**

(1) As at 30 June 2004, the Group's term loans totalling \$3,150,000 are secured by certain fixed deposits amounting to \$1,250,000 and corporate guarantees issued by the Company in connection with the banking facilities of a subsidiary company.

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

**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	
	2004	2003*
	\$000	\$000
<b>Cashflows from operating activities</b>		
Profit before tax	232	516
Adjustments for:		
Depreciation of fixed assets	1,664	1,167
Amortisation of intangible assets	28	11
Amortisation of franchise rights	31	-
Loss on disposal of fixed assets	21	-
Fixed assets written off	191	-
Interest expense	109	115
Interest income	(13)	(4)
Operating profit before working capital changes	2,263	1,805
(Increase)/ decrease in:		
Inventories	(591)	(189)
Trade receivables	6	(372)
Other receivables, deposits and	(452)	(299)
Amount due from associate (trade)	(294)	-
Amount due from associate (non-trade)	(68)	-
Increase/ (decrease) in:		
Trade payables	986	(75)
Other payables and accrued expenses	(552)	(216)
Deferred revenue	2	(40)
Amount due to a minority shareholder	131	-
Cash generated from operations	1,431	614
Interest expense paid	(109)	(115)
Tax paid	(55)	(337)
Translation difference	(4)	-
<b>Net cash flow from operating activities</b>	<b>1,263</b>	<b>162</b>

<b>Cash flows from investing activities</b>		
Interest income	13	4
Purchase of fixed assets	(1,510)	(2,635)
Proceeds from disposal of fixed assets	2	-
Investment in intangible assets	(79)	(56)
Investment in associate	(664)	-
<b>Net cash flow used in investing activities</b>	<b>(2,238)</b>	<b>(2,687)</b>
<b>Cash flows from financing activities</b>		
Increase in fixed deposits pledged	-	(908)
Net proceeds from issuance of ordinary shares	-	6,412
Net (repayment of) / financing from term loans (Repayment)/ additions of finance lease obligations	(747)	3,567
	(132)	195
<b>Net cash flow (used in) from financing activities</b>	<b>(879)</b>	<b>9,266</b>
Net (decrease) increase in cash and cash equivalents	(1,854)	6,741
Cash and cash equivalents at beginning of period	7,420	2,848
<b>Cash and cash equivalents at end of period</b>	<b>5,566</b>	<b>9,589</b>
<b>Note: Cash and cash equivalents</b>		
Cash on hand and at bank	3,357	2,589
Fixed deposits	3,459	8,252
	6,816	10,841
Less: Fixed deposits pledged	(1,250)	(1,252)
Cash and cash equivalents	5,566	9,589

\*The comparative figures of the Group for the half year ended 30 June 2003 have been prepared on a proforma basis as if the Group structure was in place during the entire period.

**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**

	Share capital \$000	Share premium \$000	Capital reserve \$000	Translatio n reserve \$000	Accumulate d profits / (losses) \$000	Total \$000
<b>Group</b>						
As at 1 January 2003	500	-	-	-	4,828	5,328
Proforma adjustment to reflect acquisition of subsidiary pursuant to restructuring exercise	4,739	-	-	-	(4,739)	-
Issue of shares pursuant to IPO	1,280	5,135	-	-	-	6,415
Net profit for the period	-	-	-	-	304	304
<b>As at 30 June 2003</b>	<b>6,519</b>	<b>5,135</b>	<b>-</b>	<b>-</b>	<b>393</b>	<b>12,047</b>
As at 1 January 2004	6,519	5,135	452	(31)	613	12,688
Translation difference	-	-	-	7	-	7
Net loss for the period	-	-	-	-	(155)	(155)
<b>As at 30 June 2004</b>	<b>6,519</b>	<b>5,135</b>	<b>452</b>	<b>(24)</b>	<b>458</b>	<b>12,540</b>
<b>Company</b>						
As at 1 January 2003	500	-	-	-	-	500
Proforma adjustment to reflect acquisition of subsidiary pursuant to restructuring exercise	4,739	-	-	-	-	4,739
Issue of shares pursuant to IPO	1,280	5,135	-	-	-	6,415
Net profit for the period	-	-	-	-	54	54
<b>As at 30 June 2003</b>	<b>6,519</b>	<b>5,135</b>	<b>-</b>	<b>-</b>	<b>54</b>	<b>11,708</b>
As at 1 January 2004	6,519	5,135	-	-	(2)	11,652
Net profit for the period	-	-	-	-	94	94
<b>As at 30 June 2004</b>	<b>6,519</b>	<b>5,135</b>	<b>-</b>	<b>-</b>	<b>92</b>	<b>11,746</b>

**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**

There were no changes in the Company's share capital during the half year ended 30 June 2004.

**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 2003.

**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**

	Group	
	HY2004	HY2003
Earnings per ordinary share for the period:		
(a) Based on weighted average number of ordinary shares in issue	-0.1 cents	0.2 cents
(b) On a fully diluted basis	-0.1 cents	0.2 cents

(i) The earnings per share for the half year ended 30 June 2004 have been computed based on the weighted average number of ordinary shares in issue during the period of 162,980,000 ordinary shares.

(ii) The earnings per share for the half year ended 30 June 2003 have been computed based on the weighted average number of ordinary shares in issue during the period of 136,313,333 (assuming the restructuring exercise and sub-division of shares had taken place as of 1 January 2003).

(iii) As at 30 June 2004, 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	
	30.6.2004	31.12.2003	30.6.2004	31.12.2003
Net asset value per ordinary share based on issued share capital as at the end of period reported on	<u>7.7 cents</u>	<u>7.8 cents</u>	<u>7.2 cents</u>	<u>7.1 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 HY2004 as compared to HY2003 is summarised as follows:

	HY2004	HY2003	Increase/ (Decrease)	
	\$000	\$000	\$000	%
Bakery sales	16,244	16,669	(425)	-2.5%
Franchise revenue	1,510	592	918	155.1%
Restaurant sales	<u>4,889</u>	<u>-</u>	<u>4,889</u>	n.a.
	<u>22,643</u>	<u>17,261</u>	<u>5,382</u>	31.2%

The Group's turnover for the half year ended 30 June 2004 grew by approximately \$5.4 million or 31.2% to \$22.6 million, up from \$17.3 million in the same period last year. The growth was mainly contributed by : (a) revenue of \$4.9 million from the Group's "Din Tai Fung" restaurant operated by a 70% owned subsidiary, Taster Food Pte Ltd, which commenced operations in September 2003; and (b) franchise revenue which increased by \$0.9 million, or 155.1%, mainly attributable to continuing monthly royalty fee income based on a certain percentage of franchisees' sales and sales to franchisees during the half year ended 30 June 2004. The restaurant and franchise operations made up 21.6% and 6.7% respectively of the Group's total revenue.

The Group's dedicated effort to expand overseas through franchising which started in FY2003 has contributed positively to the Group's revenue in 1H2004, with franchise revenue increased from \$0.6 million in HY2003 to \$1.5 million in HY2004. The Group signed its fifth franchise agreement for the Taiwanese market in April 2004 and the first BreadTalk outlet in Taiwan was opened in May 2004. As at 30 June 2004, there was a total of ten franchised outlets overseas - spanning across six countries - six outlets in Indonesia and one outlet each in The Philippines, Malaysia, Taiwan and Kuwait within the Gulf Cooperation Council (GCC) as compared to just one franchised outlet a year ago.

Meanwhile, the Group's bakery retail operation achieved a total sales of \$16.2 million, a slight decline of 2.5% in HY2004 compared to \$16.7 million in HY2003. The Group's bakery operations in Singapore recorded lower sales compared to HY2003 as the local bakery business remains highly competitive. This decrease was partially offset by the bakery sales from our Shanghai operations which commenced in the last quarter of year 2003.

**(B) Gross margins**

Gross margins declined from 65% in HY 2003 to 61% in HY2004 primarily due to the change in sales mix as the current half year includes the restaurant operations of "Din Tai Fung" and overseas bakery operations.

**(C) Distribution and selling expenses**

The Group's distribution and selling expenses for the half year ended 30 June 2004 increased by \$1.8 million to \$10.3 million mainly attributable to the Group's "Din Tai Fung" restaurant and the bakery operations in Shanghai which commenced operations only in the second half of year 2003. This increase was offset by lower distribution and selling expenses incurred by the Group's bakery operations in Singapore mainly due to lower personnel cost incurred for outlets and lower advertising and promotion expense incurred in HY2004.

**(D) Administrative expenses**

Administrative expenses increased by \$1.2 million to \$3.3 million in the half year ended 30 June 2004, up from \$2.1 million for the same period last year. The increase was mainly attributable to (i) "Din Tai Fung" restaurant and retail operations in Shanghai, which commenced operations only in the second half of 2003 and (ii) write-off/ disposal of certain fixed assets of the bakery outlets at Causeway Point and Tampines Mall operated by BreadTalk Pte Ltd.

#### **(E) Profit before tax**

The Group achieved a profit before tax of \$0.2 million for the half year ended 30 June 2004, \$0.3 million lower compared to \$0.5 million recorded in the same period last year. The Group's "Din Tai Fung" restaurant which commenced operations in September 2003, contributed favourably to the Group's profit before tax. However, the positive contribution was affected by the operating loss incurred by (i) BreadTalk Pte Ltd mainly due to lower sales achieved by its bakery chain in Singapore as well as the one-time write-off of certain fixed assets as explained above; and (ii) Shanghai BreadTalk Co., Ltd which is still at the start-up stage and has yet to achieve economies of scale.

#### **(F) Tax expense**

The Group's effective tax rate for the half year ended 30 June 2004 was higher than the statutory tax rate of 20% mainly due to the losses incurred by BreadTalk Pte Ltd and Shanghai BreadTalk Co., Ltd, wholly-owned subsidiaries of the Group which operate bakery chains in Singapore and Shanghai respectively. These losses cannot be offset against profits made from "Din Tai Fung" restaurant.

#### **(G) Minority interest**

This comprises the minority interest of Taster Food Pte Ltd, a 70% owned subsidiary of the Company, which operates the "Din Tai Fung" restaurant.

#### **(H) Cash and Cash Equivalents**

The decrease in the Group's cash and cash equivalents from \$7.4 million as at 31 December 2003 to \$5.6 million as at 30 June 2004 was mainly attributable to (i) acquisition of fixed assets of \$1.5 million; (ii) equity investment in 49% owned associate, ML Breadworks Sdn. Bhd., of \$0.7 million; and (iii) repayment of borrowings (including finance leases) of \$0.9 million, offset by net cash inflow generated from operating activities of \$1.3million.

#### **(I) Group Borrowings (including Finance Leases)**

The reduction in the Group's borrowings of \$0.9 million to \$3.7 million was a result of repayment made during the half year ended 30 June 2004.

#### **9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results**

This is in line with our previous announcement dated 25 February 2004.

#### **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**

##### **Singapore**

As at 30 June 2004, the Group operated 24 BreadTalk outlets in Singapore. In the first six months of FY2004, the Group opened a new outlet at Bukit Panjang.

For the rest of the year, the Group expects to continue operating under a challenging business environment, in view of the competitiveness of the bakery industry.

Nonetheless, the Group will continue to sustain the growth of its Singapore operations by streamlining its operations, such as down-sizing or closing under-performing outlets when necessary. The Group will also continue to improve operational efficiencies and customer service, as well as build upon its strong brand equity through targeted advertising & promotions and introducing new creations to meet consumer demand.

##### **Overseas Business**

The Group expects the overseas business to be the main growth driver in the long run. The Group is confident of the growth potential of both the overseas franchise businesses as well as its wholly-owned outlets in China, and is planning to open more overseas outlets before the end of FY2004.

Within the next 12 months, the Group also hopes to seal more franchise agreements in new countries.

##### **Restaurant Business**

Since its opening in September 2003, "Din Tai Fung" restaurant has been experiencing strong sales. The Group plans to open at least one more restaurant outlet in Singapore within the next 12 months.

**11. Dividend**

**(a) Current Financial Period Reported On**

Any dividend declared 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/recommendeded, a statement to that effect**

No interim dividend for the half year ended 30 June 2004 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**

*Total Annual Dividend (Refer to Para 16 of Appendix 7.2 for the required details)*

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

**BY ORDER OF THE BOARD**

Tan Cher Liang  
Company Secretary  
12 August 2004