



BREADTALK GROUP LIMITED

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NEWS RELEASE

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Financial Results for the Half-Year ended 30 June 2007

Net profit jumped 60% on broad-based expansion across all business segments

	1H07	1H06	Change
	\$'000	\$'000	
Revenue	69,674	55,932	+24.6%
Profit from operations	4,821	3,398	+41.9%
Profit before tax	4,520	2,912	+55.2%
Net profit	3,008	1,881	+59.9%
EPS	1.38 cents	0.94 cents	+46.8%

	30 Jun. 2007	31 Dec. 2006	Change
NAV/share	17.7 cents	13.7 cents	+29.2%

Highlights:-

- Group revenue rose 24.6% lifted by broad-based growth across all business segments.
- Singapore (up 42.7%) and the PRC (up 14.3%) led revenue growth.
- Net profit grew 59.9%, underpinned by broad-based revenue growth
- Robust expansion was supported by strong business fundamentals and healthy balance sheet, providing financial leverage for further growth.
- Outlet expansion in the region and concept innovation to fuel further growth.

Singapore, 13 August 2007 – SGX SESDAQ-listed BreadTalk Group Limited ("BreadTalk" or the "Company"), a leading lifestyle F&B group, is pleased to announce strong growth in revenue and net profit for the half year ended 30 June 2007 on the back of broad-based expansion across all business segments.

Group revenue rose 24.6% to \$69.7 million in 1H07 supported by double-digit growth in bakery (up 20.0%), franchise (up 32.1%), food courts (up 21.3%) and restaurant business segments (up 38.8%).

Underpinned by strong top-line expansion, profit growth was also broad-based across all business segments. Group operating profit rose \$1.4 million or 41.9% to \$4.8 million in 1H07, led by bakery business which recorded the strongest growth. Group's net profit attributable to the shareholders climbed \$1.1 million or 59.9% to \$3.0 million in 1H07, up from \$1.9 million in 1H06.

Robust expansion was supported by strong business fundamentals and healthy balance sheet. Current ratio was at a comfortable 1.1 times as at 30 June 2007. The Group was also sitting pretty on net cash of \$14.3 million as of 30 June 2007. Based on the closing price of \$0.515 per share as at 10 August 2007, BreadTalk's market capitalization stood at approximately \$121.0 million as of even date.

Segmental Analysis

Bakery (self-owned/operated and franchised)

The Group owns and operates 61 bakery outlets, including 50 BreadTalk outlets (24 in Singapore, 13 in Shanghai, 11 in Beijing/Tianjin and 2 in Thailand) and 11 Toast Box outlets (9 in Singapore, 1 in Shanghai and 1 in Thailand). This represents an increase of 17 outlets – 8 for BreadTalk and 9 for Toast Box - from the 44 outlets as at 30 June 2006.

Revenue from self-owned/operated bakery business rose \$4.9 million or 20.0% to \$29.5 million in 1H07 with higher revenue achieved by operations in both Singapore (up 19.0%) and the PRC (up 21.7%) as the Group continued to expand its bakery

network in these territories. The Group added 9 new outlets (7 Toast Box and 2 BreadTalk) in Singapore and 6 new outlets (1 Toast Box and 5 BreadTalk) in the PRC compared to a year ago. The better performance in the PRC was also boosted by a full six-month contribution from two outlets in Beijing opened in 2Q06. Bakery operations remained the Group's largest revenue contributor, contributing 42.4% of Group revenue in 1H07.

Franchise revenue also grew 32.1% from \$4.2 million in 1H06 to \$5.5 million in 1H07 mainly driven by: (i) higher master franchise fee from new franchisees signed up for four additional PRC cities; and (ii) growth in royalty fees for both PRC and Singapore divisions as the total number of franchised outlets increased to 80 outlets at end of June 2007 from 56 outlets a year ago.

The Group's 80 franchised network as at 30 June 2007 comprised franchised outlets in Indonesia (32), Philippines (8), Kuwait (4), UAE (3), Malaysia (4), Taiwan (1), India (2) and the PRC (26).

The BreadTalk bakery business registered strong operating profit growth of \$0.6 million or 105.9% to \$1.2 million in 1H07, up from \$0.6 million in 1H06 mainly driven by: (i) improved performance from Singapore bakery operations as a result of higher sales and profit contribution from the additional outlets; (ii) higher profit contribution from franchise business; while offset by a one-off allowance for doubtful receivable of \$0.2 million due from Hong Kong BreadTalk, a 25% owned associated company of the Group.

Restaurants

The Group now owns five Din Tai Fung restaurants and one Noodle Bar in Singapore. Revenue from the restaurant business increased by \$3.7 million or 38.8% to \$13.3 million in 1H07 from \$9.6 million in 1H06, driven mainly by higher Din Tai Fung restaurant sales. This was a result of improvement in same store sales as well as full contribution from the Raffles City and St James Power Station outlets opened in July 06 and Dec 06 respectively. In addition, Charcoal restaurant at St. James Power Station rang in maiden revenue contribution of \$0.5 million. As a result, contribution

from the restaurant business to the Group's total revenue rose 2 percentage points from 17.2% in 1H06 to 19.2% in 1H07.

Restaurant business registered operating profit growth of \$0.5 million or 35.7% to \$1.9 million in 1H07, up from \$1.4 million in 1H06, on the back of strong revenue growth and improved margins.

Food Courts

The Group now owns and operates 22 food courts - 12 in Shanghai, 3 in Beijing, 1 in Tianjin, 2 in Chongqing, 1 in Hong Kong and 3 in Singapore.

Food court business registered revenue growth of \$3.7 million or 21.3% from \$17.5 million in 1H06 to \$21.2 million in 1H07 mainly attributable to maiden revenue contribution from Singapore food courts at Vivo City and Suntec City opened in Oct 06 and May 07 respectively. While PRC food courts recorded higher revenue, growth was muffled by a two-month temporary closure for upgrading of its biggest food court at Metro City in Shanghai during 1H07, as well as the deconsolidation of revenue of the steam boat direct stalls following the restructuring of this business into a 50:50 joint venture with the operator.

Following the upgrading of the 34,000 square feet food court at Shanghai Metro City, the food court saw record-breaking sales with the introduction of new concept and interesting tenant mix, further entrenching the Food Republic label as a leading innovative brand in the industry.

Overall food court business registered an operating profit of \$1.5 million in 1H07, up marginally by \$33,000 compared to 1H06. Profit growth was driven mainly by profit contribution from the Singapore Vivocity and Wisma Atria food courts, offset by profit decline in Hong Kong operations. As the Hong Kong unit currently operates only one food court and is in the midst of preparing for the second outlet, its 1H07 results was affected by the pre-operating expenses incurred for the second outlet.

Food courts in Shanghai and Beijing did well but overall operating results for 1H07 was affected by a one-time fixed asset write-off and loss of sales arising from temporary closure due to the upgrading of the Metro City food court in Shanghai, as well as early stage operating loss at two food courts in Chong Qing opened in July 2006 and January 2007 respectively, but mitigated by recognition of deferred revenue on expired food court stored-value cards. The benefits of the upgraded Metro City food court were felt following the reopening of the food court in May 2007 with record-breaking sales in the subsequent months.

Geographical Analysis

The Group registered revenue growth across all geographical segments in 1H07 except for Hong Kong where revenue was down 11.0% compared to the high base during the initial Food Republic launch period in 1H06. Nevertheless, month to month sales had been trending up thereby closing the gap with that of 1H06.

In 1H07, 51.3% of the Group's total revenue was derived from Singapore compared to 44.8% in 1H06. Revenue contribution from Singapore grew \$10.7 million or 42.7% to \$35.7 million in 1H07 compared to \$25.0 million in 1H06 driven by revenue growth across the three business segments, namely bakery, restaurant and food court operations.

Revenue contribution from PRC climbed \$3.4 million or 14.3% to \$27.2 million in 1H07, up from \$23.8 million in 1H06 mainly driven by revenue growth in the bakery business. In 1H07, PRC contributed 39.0% of the Group's revenue compared to 42.5% in 1H06.

Revenue from rest of the world, comprising primarily revenue from franchisees, grew marginally by 2.6% to \$3.4 million in 1H07.

Business Outlook

The Group has made steady progress in executing its plan to broaden revenue base and improve margins. It will continue to do so through operational control, business streamlining and new investments. The Group will incur additional capital expenditure for new investments which are expected to contribute to the Group's performance in the coming months.

Dr. George Quek, Group Chairman, was delighted with BreadTalk's latest financial performance and upbeat about the Group's business outlook. He said, "Our Group has achieved significant progress in laying down solid foundation across all our business segments and priming them for the next leg of growth. With booming economy and consumerism on the uptrend in Asia, there remain much untapped opportunities for growth. Our well-established brand name, wide distribution network and highly scalable business model place us in advantageous position to capitalize on this thriving market environment. In addition to outlet and geographical expansion, we will also explore product and concept innovations to further enrich our product offerings."

"In 2H07, we will launch our first Food Republic food atrium at the Pavillion Shopping Centre in Kuala Lumpur, Malaysia through a 50:50 joint venture company, Apex Excellent Sdn Bhd ("Apex"). The investment marks our Group's entry into the food court business in the multi-racial country which offers abundant variety of good food and rich cultural background. Elsewhere food court expansion plan is on track with our 2nd food atrium to be opened in Hong Kong and 2 or 3 more to be rolled out in the PRC. We expect our food court business in the PRC and Hong Kong to improve in 2H07", Dr Quek added.

The BreadTalk franchise will see some interesting development with the granting of one international master franchise and the outlet roll-out plan gathering momentum. The Group is looking into rationalizing its franchise portfolio to motivate the good performers and restructure the weak ones. Product upgrade is in the pipeline to benefit the franchisees following the successful launch of Toast Box in Singapore.

About BreadTalk Group Limited

Founded as an F&B operator in 2000 and listed on the SGX in 2003, BreadTalk has rapidly expanded to become a distinctive household brand owner that has established its mark on the world stage. With global staff strength of 2,000 employees across 11 countries, the Group now owns and operates 61 bakery outlets in Singapore, PRC and Thailand, franchises 80 outlets across Asia and the Middle East, and owns and operates 5 world-renowned Din Tai Fung restaurants in Singapore, as well as 22 award-winning Food Republic food atria in Singapore, PRC and Hong Kong.

BreadTalk's continued innovative drive in F&B concepts also led to its foray in setting up Charcoal, a Japanese Yakiniku restaurant at St James Power Station, an entertainment multiplex in Singapore in December 2006. This new venture, (alongside 2 other concepts – What You Do Prata and Din Tai Fung Noodle Bar) come under the auspices of The Station Kitchen – a unique supper restaurant housed within the sprawling entertainment concept.

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 and "Gold Award" in 2005, "Most Distinctive Brand Award" in 2003, 2004 and 2005, as well as the "Most Popular Brand Award" in 2002 and 2005 awarded by the Association of Small and Medium Enterprises (ASME) and Singapore Press Holdings. The Group had also won the CitiBusiness SPBA (Singapore Promising Brand Award) Regional Brand Award 2006. This was a new award created to honour past SPBA winners who had succeeded in making its mark in new regional markets and extended its growth and brand name to different countries. Similarly, its efforts at building brand equity reaped fruits in Shanghai as it won the 5 Star Diamond Award presented by the World Brand Laboratory in the PRC in 2006.

In 2004, BreadTalk clinched the coveted Design For Asia Award from the Hong Kong Design Centre, as well as the Most Transparent Company Award organised by the Securities Investors Association of Singapore (Runner-Up, SESDAQ category) in 2004 and 2005.

In November 2006, Group Chairman, Dr. George Quek won the Ernst & Young Emerging Entrepreneur of the Year 2006 Award. Dr George Quek also clinched the "Entrepreneur of the Year" award given by ASME and the Rotary Club of Singapore in 2002.

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