Soup Restaurant Group Limited

Annual Report 2006

Ambience

The unique character and atmosphere of our restaurants make for an enjoyable dining experience.

Samsui Ginger Chicken
Our Signature Dish

Corporate Profile

Soup Restaurant Pte Ltd was incorporated on 20 July 1991 under the Companies Act as an exempt private company. On 26 March 2007, we converted into a public limited company and changed our name to "Soup Restaurant Group Limited" ("SRGL" or "Company"). Our Company was admitted to the official list of the Singapore Exchange Securities Trading Limited Dealing and Automated Quotation System ("SGX-SESDAQ") on 28 May 2007.

Our Company is a home-grown chain of restaurants under the name and style of "Soup Restaurant". Our first "Soup Restaurant" outlet which commenced in 1991, was conceptualised as a niche restaurant focusing mainly on herbal soups and home-cooked dishes served at reasonable prices. Today, our Group has expanded into 17 outlets island-wide under two major brand names :

1. "Soup Restaurant" group of restaurants, which serves traditional, home-cooked "Chinatown Heritage Cuisine"

2. "Dian Xiao Er" group of restaurants, which specialises in serving herbal roasted ducks and Chinese cuisines.

CONTENTS

Easily Accessible and Strategically Located Outlets to Reach a Wider Base of Customers

Our Brands

Soup Restaurant

Combining the best of both worlds, “Soup Restaurant” is a restaurant reminiscent of the rich cultural heritage found in Singapore’s Chinatown in the early 20th century and a place where diners can savour traditional, home-cooked dishes while dining in modern comfort.

With 13 “Soup Restaurant” outlets located island wide, diners can easily find one to try its signature dish, “Samsui Ginger Chicken” (三水姜茸鸡) and various traditional Chinese double-boiled herbal soups. The restaurant’s most popular dish pays tribute to the Samsui Women, who would prepare the dish during the Chinese New Year as a special yearly treat. By preparing the restaurant’s specialties the traditional way, it preserves the authentic taste of their cuisine for all to enjoy.

Dian Xiao Er

Dining at “Dian Xiao Er” is as good as taking a trip through time with the décor of the restaurant specially designed to create a unique tavern-like dining experience. The restaurant’s specialty is herbal roasted ducks, where the tradition of incorporating herbs into Chinese cuisine has been extended.

“Dian Xiao Er” was acquired through a 50.98% equity interest in Y.E.S F&B Group Pte. Ltd. in November 2006. Today, the Group operates four outlets, making the delectable cuisine accessible to all. The history of duck roasting dates back to the Yuan dynasty where the cuisine ranked among the imperial dishes. It gained further acclaim as a prized delicacy in the Ming and Qing dynasties as Emperor Qianlong and Dowager Cixi favoured the dish. By infusing the traditional Chinese culture of using herbs in preparing dishes, “Dian Xiao Er” brings this imperial cuisine to an even higher level.

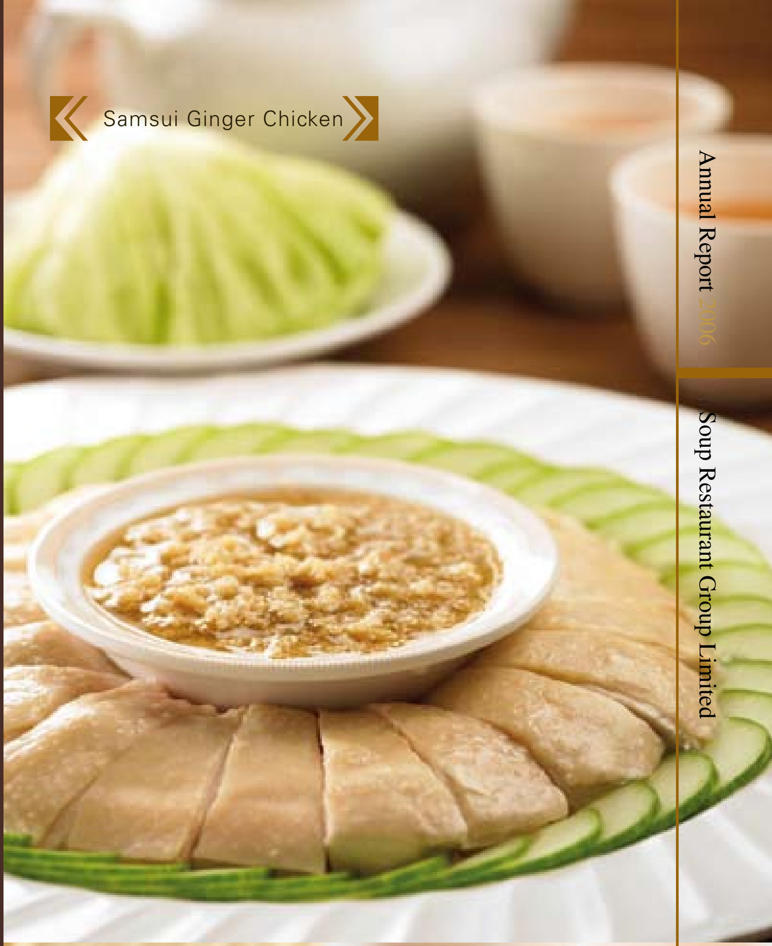
Our Signature Dish

The Story of "Samsui Ginger Chicken"

Chinatown Heritage Cuisine

Despite our restaurant's name, our most popular dish is the signature "Samsui Ginger Chicken". It presumably commemorates the frugality and diligence of Samsui women, who celebrated Chinese New Year.

Are you aware of the history of the Samsui Women in Chinatown? They lived on a subsistence level and only got to eat their specially prepared chicken during the Chinese New Year. "Samsui Ginger Chicken" is prepared in the same traditional way. The whole chicken is steamed-cooked for a predetermined duration and temperature, thus, maintaining its rich chicken aroma and taste. The art of consuming "Samsui Ginger Chicken" is by dipping the chicken into ginger sauce and wrapping them with fresh lettuce. Traditionally, ginger has been used for prevention of "cold" and relief of the "wind" in the body.

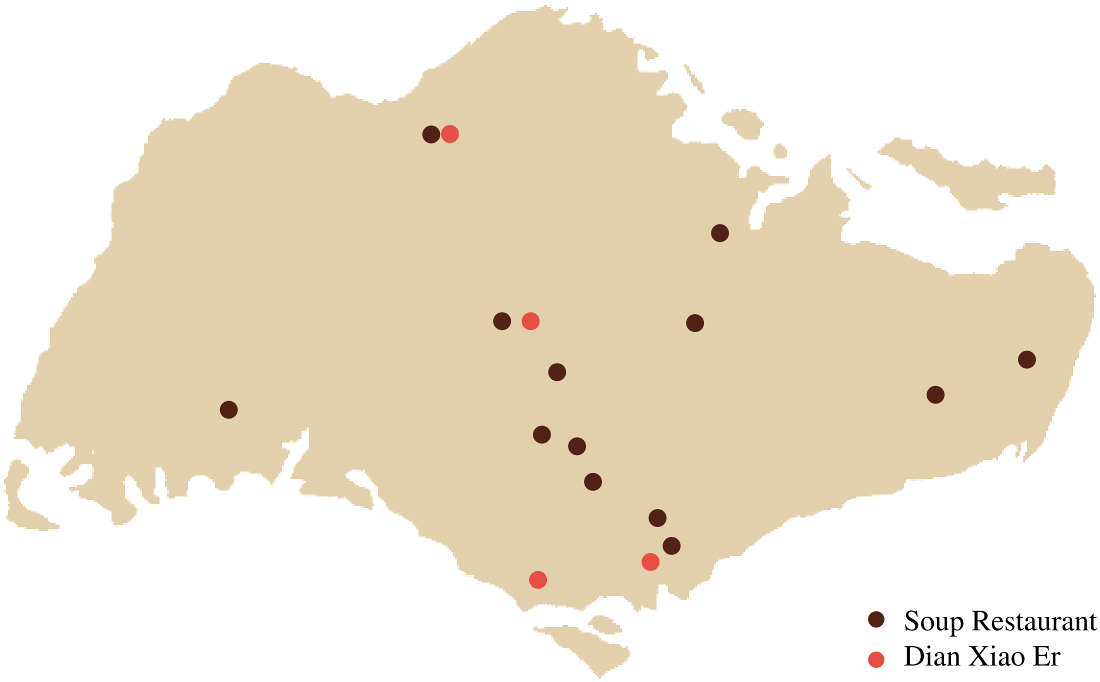


Samsui Ginger Chicken

Beggar Bowl Tofu

Ah Kon Fan Shu Leaves

Our Footprint



- Soup Restaurant
- Dian Xiao Er

Soup Restaurant

- AMK Hub
- Causeway Point
- Century Square
- Changi Airport
- Compass Point
- Hougang Mall
- Jurong Point
- Paragon
- Scottswalk
- Seah Street
- Suntec City
- The Centrepoint
- United Square

Dian Xiao Er

- AMK Hub
- Causeway Point
- Hougang Mall (Foodstall)
- Marina Square
- VivoCity

Corporate Structure

三盅兩件 SOUP RESTAURANT

- 100% — Soup Restaurant (Seah Street) Pte Ltd
- 100% — Soup Restaurant (Causeway Point) Pte Ltd
- 100% — Soup Restaurant (Jurong Point) Pte Ltd
- 100% — Soup Restaurant (SC) Pte Ltd
- 100% — Soup Restaurant Investments Pte. Ltd.
  - 0.74% — Y.E.S F&B Group Pte. Ltd.
- 50.24% — Y.E.S F&B Group Pte. Ltd.

On behalf of the Board of Directors, I am pleased to present this annual report of our Group and our Company for the financial year ended 31 December 2006 ("FY 2006").

Chairman's Message

Dear Shareholders

FY 2006 had been a year of significant accomplishments for our Group. Our Company was admitted to the official list of the Singapore Exchange Securities Trading Limited Dealing and Automated Quotation System ("SGX-SESDAQ") on 28 May 2007, after the successful launch of our initial public offering ("IPO") of 26 million shares at 21 cents each. The total share offer represented 26.1% of the enlarged share capital and the invitation was approximately 18.9 times subscribed.

With estimated net proceeds of S$4.4 million from the IPO, our Group intends to use S$1.0 million for our local and regional business expansion, S$0.5 million to refurbish our outlets and facilities and the remaining S$2.9 million to be used as our general working capital.

Operating and Financial Performance

FY 2006 was a fruitful year for our Group. We achieved record revenue of S$21.9 million for the year, which constituted a 9.7% growth compared with S$20.0 million for the previous year. We also registered an increase of S$1.0 million or a 54.0% increase in profit before income tax from S$1.9 million for the previous year to S$2.9 million for FY 2006. Our Group's strong performance was evident in the healthy net increase in cash and cash equivalents of S$1.2 million. As of 31 December 2006, the cash and cash equivalents of our Group was S$3.7 million.

We also build on one of our competitive strengths of being accessible and having strategically located outlets. During the year, we opened two new "Soup Restaurant" outlets in Hougang Mall and The Centrepoint in July and December respectively, in a strategic move to make further inroads in the local market by raising the number of outlets which are more accessible to our customers.

Gaining market share is important to our growth strategy. In November 2006, we acquired through the capitalisation of a loan of S$197,000 granted in FY 2004, a 50.98% equity interest in Y.E.S F&B Group Pte. Ltd., which is a home-grown chain of restaurants under the "Dian Xiao Er" trade name. "Dian Xiao Er" specialises in herbal roasted ducks and other Chinese cuisines. The acquisition further strengthens our foothold in the local food and beverage industry, and provides us with opportunities to explore regional markets.

Furthermore, I am pleased to share that we are honoured to be the first Chinese restaurant chain to be conferred the nationally acclaimed Workforce Skills Qualification (WSQ) certification in training. This is a testament to our commitment to customers in providing excellent service and to our employees in providing quality in-house training.

Soup of The Day

Outlook

With the economy forecasted to continue to grow, prospects for the food and beverage industry remain positive. As more shopping and dining areas can be expected in the near future, it provides us with more growth opportunities to open new outlets. Adding to the myriad of opportunities are the development of the integrated resorts and the efforts of the Singaporean government to develop the country into a meetings, conventions and exhibitions hub. We believe the continuous flow of tourist and business travellers to Singapore will benefit our outlets, which are located in places frequented by most tourists.

Taking stock of our business, we will discontinue certain loss making outlets. More importantly, we will continue to shape our future plans and improve our operating efficiencies to ride the current optimism in the economy. To remain competitive, we will continue to enhance our service and maintain the quality of food served. We also aim to uphold our image, which attracts a younger customer base, with our casual dining ambience and nutritious, home-cooked Cantonese cuisines served efficiently at competitive prices. Also in the pipeline are plans to refurbish and upgrade our existing outlets to provide a better dining experience for our customers. In addition, we intend to upgrade our facilities and equipment to improve operational efficiency.

We will seek additional growth opportunities by assessing the feasibility of entering new markets in the region, including but not limited to Malaysia and Indonesia. We plan to expand our business through acquisitions, joint ventures or strategic alliances with parties who can strengthen our market position, add value to our existing business, as well as enable us to expand into new food related businesses.

Appreciation

Last but not least, on behalf of the Board of Directors, I would like to thank our customers, shareholders and business partners for their support. I would also like to express my heartfelt appreciation to my fellow Directors for their invaluable counsel and to the management and staff for their dedication and efforts throughout the year.

Thank you.

Mok Yip Peng
Chairman
4 June 2007

Delight

Our cuisine is a constant source of gratification for our customers.

Stewed Mushroom
with Broccoli

Business Review

Operations Review

For the year ended 31 December 2006, the Group opened two new "Soup Restaurant" outlets at Hougang Mall and The Centrepoint in July and December respectively. The two outlets contributed less than 3% of the Group's revenue in FY 2006.

In November 2006, the Group acquired a 50.98% equity interest in the Y.E.S F&B Group Pte. Ltd., a home-grown chain of restaurants under the "Dian Xiao Er" trade name, through the capitalisation of a loan of S$197,000 granted to Y.E.S F&B Group Pte. Ltd. in 2004. The purpose of this acquisition was to expand the Company's business operations and explore further business opportunities. "Dian Xiao Er" offers a variety of Chinese cuisine and specialises in herbal roasted ducks.

Financial Review

The Group's revenue jumped by 9.7% to S$21.9 million compared to S$20.0 million in the previous year. The increase in revenue was mainly due to the additional revenue from the two new "Soup Restaurant" outlets and "Dian Xiao Er" outlets which contributed to 91.7% of the increase in revenue of the Group. The revenue from existing outlets remained fairly the same compared to the previous year.

Other income decreased by 21.5% or S$91,000 from S$420,000 for the financial year ended 31 December 2005 ("FY 2005") to S$329,000 in FY 2006. The decrease was mainly due to a lower collaboration fee of S$135,000 registered for FY 2006 compared to S$386,000 for the previous year since a substantial number of kitchen crew under the Collaboration Agreement achieved the training objectives set out for them in FY 2006.

Purchases and other consumables as a percentage of revenue, decreased from 24.2% in the previous year to 23.4% in the current year. The lower percentage in FY 2006 was the result of the Group having better bargaining power in negotiating prices of raw materials as it operated more outlets and made larger bulk purchases. Furthermore, as more kitchen crew members achieved their training objectives and become more adept at handling raw materials efficiently, less wastage occurred.

Operating expenses increased by 3.8% from S$13.7 million in the previous year to S$14.2 million in FY 2006, in line with the higher revenue registered in the current year. Employee benefits expenses increased from S$6.6 million in the previous year to S$7.0 million or 6.7%

Business Review

in the current year. 76.3% of the increase came from employee benefits expenses of the newly acquired "Dian Xiao Er" restaurants. Operating lease expenses also increased from S$3.3 million in the previous year to S$3.5 million or 5.6% in the current year. This was attributed to the additional rental for the two new "Soup Restaurant" outlets and "Dian Xiao Er" chain of restaurant outlets.

In addition, there was an allowance for doubtful receivables of S$178,000 in FY 2005 which did not occur in FY 2006. This allowance comprised an allowance of S$34,000 for a dining voucher company that was subjected to judicial management order in FY 2005 and the loan of S$144,000 to the Group's Indonesian franchisee.

The Group achieved a record profit before income tax of S$2.9 million in the current year, an increase of 54.0% or S$1.0 million from S$1.9 million in the previous year as a result of higher revenue and lower operating costs as a percentage of revenue.

Non-current assets increased by S$0.6 million or 29.6% from S$2.0 million in the previous year to S$2.6 million in the current year. This was mainly due to the addition of fixed assets for the two new "Soup Restaurant" outlets and renovation costs for the two existing "Soup Restaurant" outlets at Jurong Point and Suntec City during the year.

Net current assets rose by S$1.0 million or 61.3% to S$2.7 million as a result of better performance of the Group during FY 2006. At the end of FY 2006, cash and cash equivalents increased to S$3.7 million, up by S$1.2 million from S$2.5 million in the previous year.

Capital and reserves increased by S$1.6 million from S$3.4 million in the previous year to S$5.0 million in the current year as a result of the acquisition of 50.98% equity interests in the Y.E.S F&B Group Pte. Ltd. and higher profit for the year.

The Group's shareholders' equity comprised share capital and accumulated profits. At the end of both FY 2005 and FY 2006, its share capital remained unchanged at S$245,000. The higher shareholders' equity was due to accumulated profits of S$2.2 million registered in FY 2006 and S$348,000 from the acquisition of a subsidiary, offset by dividends amounting S$1.0 million declared and paid in FY 2006.

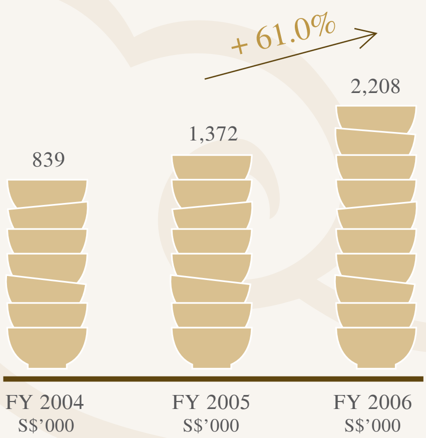
With the Group registering a higher profit after income tax attributable to equity holders, earnings per share consequently increased by S$3.41 or 60.9% from S$5.60 in FY 2005 compared to S$9.01 in FY 2006.

Financial Highlights

Revenue

Profit before income tax

Profit after income tax attributable to equity holders



Board of Directors

Mok Yip Peng *Executive Chairman and Managing Director*

Mr Mok, aged 52, is one of the founders and has been with our Company since its incorporation in 1991. He is also a member of the Nominating Committee. He is responsible for the overall management, strategic planning and business development of our Group. With 16 years of experience in the food and beverage industry, he was instrumental to the establishment, development and expansion of our Group's business. Prior to founding our Company, Mr Mok was involved in engineering consultancy and design review with Ove Arup & Partners and Singapore Mass Rapid Transit Corporation from 1981 to 1988. He practised as a professional engineer with MAP Asia Consulting Engineers and E3 Consulting Engineers from 1989 to 2000. Thereafter, he quit his engineering profession to focus on the expansion of our Group. He holds a Bachelor in Civil Engineering from the National University of Singapore.

Wong Wei Teck *Executive Director*

Mr Wong, aged 50, is also one of the founders of our Company. He has been a full time Executive Director since 2000 and has seven years of experience in the food and beverage industry. He is responsible for the corporate development and management of our Group, including management and reporting systems, information technology infrastructures, contracts and cost control of our Group. Mr Wong was a civil engineer at LKN Ltd from 1981 to 1984. He then joined the Mass Rapid Transit Corporation as a site and design engineer till 1991. During his tenure with Taylor Woodrow PLC construction group from 1991 to 1999, he was appointed senior engineer of Taywood Engineering Ltd in Singapore, business development manager for Taylor Woodrow Construction and general manager of Taywood-HZSL Pte Ltd. In 1999, he left Taylor Woodrow PLC construction group to set up his own consultancy firm, WWT Engineering. Mr Wong holds a Bachelor in Civil Engineering and was a Chartered Engineer of the Engineering Council and a Professional Engineer of the Singapore Professional Engineers Board.

Then Khek Koon *Non-Executive Director*

Mr Then, aged 52, was appointed as a Director on 18 April 2001. However, he resigned in December 2003 and was re-appointed as our Director on 19 September 2004. Mr Then has over 20 years of experience in the petroleum industry and sits on the Board of several companies such as Marfuel Pte Ltd and E-plus Development Pte Ltd. He started his career as an operations manager, overseeing petroleum products distribution with Agip Petroli SpA in 1981. He was promoted to regional marketing and operations manager, responsible for the selection and appointment of new distributors for the company in Asia. When he resigned from the company as vice president in 1997, he was overseeing trading of petroleum products and bunkers. He then set up his own company, Then Petroli (S) Pte Ltd. He brings a vast network of contacts and provides valuable experience in corporate management to our Company. He holds a Bachelor of Mechanical Engineering from the University of Singapore.

Professor Cham Tao Soon *Lead Independent Director*

Professor Cham, aged 67, joined our Group in May 2007. He is the Chairman of the Audit Committee and also a member of the Nominating and Remuneration Committees. He is the Chairman of SIM University's Board of Trustees and the Chairman of NatSteel Ltd, Singapore Symphonia Company Ltd and Singapore-China Foundation Ltd and MFS Technology Ltd. He is



also the Deputy Chairman of Singapore Press Holdings Ltd and a Director of WBL Corporation Ltd and United Overseas Bank Ltd. He serves as a board member of Land Transport Authority, Singapore International Foundation and a member of the Council of Presidential Advisors. He holds a Bachelor of Engineering (Honours) from the University of Malaya and a Bachelor of Science (Honours) from the University of London. He obtained his PhD from Cambridge University, UK. He also has several honorary degrees which were conferred on him by universities, including the University of Strathclyde, the University of Surrey, Loughborough University and Soka University. He is a fellow of the Institution of Engineers, Singapore, the Institution of Mechanical Engineers, UK and the Royal Academy of Engineering, UK.

Chua Koh Ming *Independent Director*

Mr Chua, aged 47, joined our Group in March 2007. He is the Chairman of the Nominating Committee and also a member of the Audit and Remuneration Committees. He was an electrical engineer with Lands and Estate Organization of the Ministry of Defence from 1984 to 1993. After which he commenced his venture through Ligent Engineering Pte Ltd, which specialised in providing mechanical and electrical engineering services for private and public sector projects. In 1997, he joined Magnus Energy Group Ltd (formerly known as Strike Engineering Ltd) as an executive director and oversaw operations under the group's investments. After he resigned in 2006, Mr Chua has been providing his own consultancy services to the construction industry. He holds a Bachelor of Electrical Engineering from the National University of Singapore and is a registered Professional Engineer in practice.

Jong Voon Hoo *Independent Director*

Mr Jong, aged 34, joined our Group in March 2007. He is also a member of the Audit, Nominating and Remuneration Committees. He started his career as an auditor with Arthur Andersen and was promoted to manager of the assurance and business advisory department from 1996 to 2002. He subsequently joined Deloitte & Touche as a manager, audit till 2004. He is currently the chief financial officer of Youcan Foods International Limited (a SGX-ST listed company). He is a Certified Public Accountant of Singapore and holds a Bachelor of Accountancy (Honours) from Nanyang Technological University.

Saw Meng Tee *Independent Director*

Mr Saw, aged 35, joined our Group in March 2007. He is the Chairman of the Remuneration Committee and is also a member of the Audit and Nominating Committees. From 1994 to 1995, he was with the audit department of Ernst and Young, Singapore. He then joined K J Tan & Co, where he was seconded and oversaw financial matters of a Malaysian food manufacturer, Family Cereal Sdn Bhd, which operates in the PRC, Thailand, Vietnam, Myanmar and Malaysia. In 1997, he was appointed as a director of FES Industries Sdn Bhd in Penang. Mr Saw is a Certified Public Accountant of Singapore and a partner of Saw Meng Tee & Co, a CPA firm which he established in 1999. He is also a Fellow of the Insolvency Practitioners Association of Singapore. He has extensive experience in the audit and finance industry and sits on the board of several private companies. He holds a Bachelor of Accountancy from Nanyang Technological University.

Key Management

Victor Lee Ngai Meng *Senior Manager, Operations*

Mr Lee, age 39, manages the daily operations of all outlets and the setting up of new outlets. He joined the Group in 1998. His past experience included holding the positions of captain, senior captain, supervisor and assistant manager with Harbour City Restaurant, Dragon Gate Restaurant, River Pearl Restaurant and Regency Seafood Restaurant respectively. As assistant manager, he ran the daily operations, which include menu planning, assigning staff duties and handling customers' complaints. Mr Lee subsequently joined Boat Quay Restaurant and Lake Garden Restaurant as restaurant manager from 1994 to 1996. He formed a partnership, Mel Lotus II, which sells IT related products, from 1996 to 1997.

Ng Eng Chyuan *Senior Manager, Kitchen Management*

Mr Ng, age 36, joined the Group in 2000 as food and beverage ("F&B") manager. He has over 10 years of experience in operations, human resource and management in various service industries. Before joining the Group, he had been an F&B executive with the Hotel Phoenix and a chef in Monty's Chef on Wheel from 1992 to 1995. From 1996 to 2000, he was the senior manager of Delifrance Singapore and retail manager of Lee Hwa Jewellery. He graduated from the Singapore Hotel and Training Education Centre and holds a Double Diploma in Enterprise Development by the International Professional Managers Association, UK. He obtained Certified Industry Trainer Status from the Institute of Technical Education Singapore for two consecutive years in 2005, Certified Assessor Status from the Singapore Training and Development Association, as well as Certificates of Achievement for Cantonese Cuisine and Kitchen Management organised by the Restaurant Association of Singapore.

Chan Chee Hung *Senior Manager, Food Processing & Logistic*

Mr Chan, age 34, is in charge of the overall operations and maintenance of the Food Processing Facility. He joined the Group in 2002 and has over 15 years of industry experience. He has held various positions including cook and chef with Sheraton Towers Singapore, Esmirada Mediterranean Restaurant and Forbidden City Restaurant from 1992 to 1998. He was a catering executive with Singapore Food Industries from 1998 to 2001 and a catering/production chef in Quix Pte Ltd from 2001 to 2002. Mr Chan was awarded, amongst others, the Certificate of Achievement for Food & Beverage Cost Control in 2005 organised by the Restaurant Association of Singapore.

Toh Yen Sang *Senior Manager, Finance*

Ms Toh, age 34, oversees the Group's accounts and is responsible for monitoring cash flows, budgeting and forecasting the Group's financial performance. She joined the Group in 2003. Prior to joining, she had been an accounts assistant and an accountant for various private and public listed companies including Pioneer Technical Supplies Pte Ltd ("Pioneer") and Enersave Holdings Limited (now known as China Enersave Ltd). She was appointed non-executive director of Pioneer in 1996. Ms Toh holds a Bachelor of Business Administration (Merit) from the National University of Singapore and became an affiliate of the Association of Chartered Certified Accountants in 2000. She also holds a Graduate Diploma in Human Resource Management from the Singapore Institute of Management. She has been a non-practising Certified Public Accountant of the Institute of Certified Public Accountants of Singapore since 2004.

Audrey Ng Wee Yen *Senior Manager, Administration*

Ms Ng, age 32, manages the Group's overall administration and personnel/payroll function. She joined the Group in 2000 and was involved in setting up office management, documentation as well as information technology system and control. Prior to joining, she was a secretary with Taywood Engineering Ltd, Taylor Woodrow Construction and SAFRA Radio from 1993 to 1999. She holds a Diploma in Administrative Management from Thames International Management Centre.



Corporate Information

BOARD OF DIRECTORS

Chairman Mok Yip Peng
(Executive Chairman and Managing Director)

Members Wong Wei Teck
(Executive Director)

Then Khek Koon
(Non-Executive Director)

Professor Cham Tao Soon
(Lead Independent Director)
(Appointed on 14 May 2007)

Chua Koh Ming
(Independent Director)
(Appointed on 23 March 2007)

Jong Voon Hoo
(Independent Director)
(Appointed on 23 March 2007)

Saw Meng Tee
(Independent Director)
(Appointed on 23 March 2007)

BOARD COMMITTEES

Audit Committee
Chairman *Professor Cham Tao Soon*
Members *Chua Koh Ming*
Jong Voon Hoo
Saw Meng Tee

Nominating Committee
Chairman *Chua Koh Ming*
Members *Professor Cham Tao Soon*
Jong Voon Hoo
Mok Yip Peng
Saw Meng Tee

Remuneration Committee
Chairman *Saw Meng Tee*
Members *Professor Cham Tao Soon*
Chua Koh Ming
Jong Voon Hoo

COMPANY SECRETARY

Toh Yen Sang, CPA
(Appointed on 24 November 2006)

SHARE REGISTRAR

Lim Associates (Pte) Ltd
3 Church Street
#08-01 Samsung Hub
Singapore 049483

AUDITORS

BDO Raffles
Certified Public Accountants
5 Shenton Way
#07-01 UIC Building
Singapore 068808
Tay Kim Chuan Patrick (Partner-in-charge)
(Appointed since financial year ended 31 December 2006)

REGISTERED OFFICE

171 Kampong Ampat
#03-11 KA FoodLink
Singapore 368330
Tel: 6222 4668
Fax: 6222 4667

Charm

In all senses of the word, we believe in aesthetics, pleasure and good taste.

Corporate Governance Report

Soup Restaurant Group Limited is committed to maintaining good corporate governance in accordance with the principles and guidelines set out in the Code of Corporate Governance released by the Council on Corporate Disclosure and Governance in 2005 ("CCDG Code").

The following describes our Company's corporate governance policies and practices which include, inter alia, specific reference to the principles and guidelines as set out in the CCDG Code.

BOARD MATTERS

CCDG Code Principle 1: The Board's Conduct of Affairs

The primary functions of the Board include:

1. setting and approving the overall corporate policies, providing guidance and approving strategic plans and direction of our Group;

2. supervising and reviewing management performance;

3. establishing and overseeing the framework of internal controls and risk management; and

4. assuming responsibility for good corporate governance.

These functions are carried out either by the Board or through committees established by the Board, namely the Audit Committee, the Nominating Committee and Remuneration Committee. The delegation of authority by the Board to the Board Committees enables the Board to achieve operational efficiency by empowering these Board Committees to decide on matters within their respective written terms of reference.

CCDG Code Principle 2: Board Composition and Guidance

The Board comprises seven members of whom four are independent directors, one is non-executive director and two are executive directors as follows:

Mok Yip Peng	(Executive Chairman and Managing Director)
Wong Wei Teck	(Executive Director)
Then Khek Koon	(Non-Executive Director)
Professor Cham Tao Soon	(Lead Independent Director)
Chua Koh Ming	(Independent Director)
Jong Voon Hoo	(Independent Director)
Saw Meng Tee	(Independent Director)

Professor Cham Tao Soon, Chua Koh Ming, Jong Voon Hoo and Saw Meng Tee are considered independent as they do not have any existing business or professional relationship with our Group, our Directors or substantial shareholders.

The appointment of four independent directors, being more than half of the Board, provides a strong and independent element on the Board capable of exercising objective judgement on corporate affairs of the Group. No individual or small group of individuals dominates the Board's decision making.

CCDG Code Principle 3: Chairman and Chief Executive Officer

The Board recognises that best practices of corporate governance advocate that the chairman of the Board and the chief executive officer should in principle be separate persons to ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision making. The Board also recognises that there may be instances where the two roles are performed by one person for valid reasons and that such a practice is not uncommon.

Corporate Governance Report

In view of Mok Yip Peng's concurrent appointment as the Executive Chairman and Managing Director, our Company has appointed Professor Cham Tao Soon as the Lead Independent Director, pursuant to the recommendations in Commentary 3.3 of CCDG Code. In accordance with the recommendations of the Commentary 3.3, the Lead Independent Director will be available to shareholders where they have concerns which through the normal channels of the Chairman and Managing Director has failed to resolve or for which such contact is inappropriate.

CCDG Code Principle 4: Board Membership

The Nominating Committee comprises Chua Koh Ming as Chairman, Professor Cham Tao Soon, Jong Voon Hoo, Saw Meng Tee and Mok Yip Peng as members.

The Nominating Committee will be responsible for:

1. re-nominating of the directors having regard to the director's contribution and performance;

2. determining annually whether or not a director is independent; and

3. deciding whether or not a director is able to and has been adequately carrying out his duties as a director.

The Directors shall submit themselves for re-nomination and re-election annually and the Articles of Association of our Company provides that one third (or the number nearest one third) of the directors are required to retire from office at each annual general meeting. Further, all the directors are required to retire from office at least once in every three years.

CCDG Code Principle 5: Board Performance

The Nominating Committee will decide how the Board's performance is to be evaluated and propose objective performance criteria, subject to the approval of the Board, which address how the Board has enhanced long-term shareholders' value. The Board will also implement a process to be carried out by the Nominating Committee for assessing the effectiveness of the Board as a whole and for assessing the contribution of each individual director to the effectiveness of the Board. Each member of the Nominating Committee shall abstain from voting any resolutions in respect of the assessment of his performance or re-nomination as director.

CCDG Code Principle 6: Access to Information

Our Directors will be provided with relevant board papers and information prior to each board meeting. Our company secretary will attend all Board meetings and ensures that all Board procedures are followed. On an ongoing basis, our Directors will have separate access to our Company's senior management and our company secretary. Our Directors are entitled to seek independent professional advice at the expense of our Company, in furtherance of their duties.

REMUNERATION MATTERS

CCDG Code Principle 7: Procedures for Developing Remuneration Policies

The Remuneration Committee comprises Saw Meng Tee as Chairman, Professor Cham Tao Soon, Chua Koh Ming and Jong Voon Hoo as members.

The Remuneration Committee oversees executive remuneration and development in our Company with the goal of building a capable and committed management team. The Remuneration Committee will recommend to the Board a framework of remuneration for our Directors and key executives, and determine specific remuneration packages for each Executive Director.

Corporate Governance Report

The recommendations of the Remuneration Committee will be submitted for endorsement by the entire Board. All aspects of remuneration, including but not limited to directors' fees, salaries, allowances, bonuses, options and benefits-in-kind shall be reviewed by the Remuneration Committee. Each member of the Remuneration Committee shall abstain from reviewing and approving his own remuneration and the remuneration packages related to him.

CCDG Code Principle 8: Level and Mix of Remuneration

The Remuneration Committee will review annually all aspects of remuneration, including director's fees, salaries, allowances, bonuses and benefits-in-kind to ensure that the remuneration packages are competitive in attracting and retaining employees capable of meeting our Company's objectives and that the remuneration reflects employees' duties and responsibilities.

The non-executive and independent directors do not have any service contracts and will be paid a basic fee and additional fees for serving on any of the Committees. The Board recommends payment of such fees to be approved by shareholders as a lump sum payment at the Annual General Meeting of our Company.

Our Company has entered into service agreements with the two executive directors, namely Mok Yip Peng and Wong Wei Teck on 23 March 2007 for an initial period of three years and shall automatically expire at the end of the initial three years unless renewed by our Company for such period as our Company may so decide. The executive directors do not receive directors' fees. The remuneration for the executive directors comprises a basic salary and a variable performance bonus, based on the performance of our Company.

CCDG Code Principle 9: Disclosure of Remuneration

The breakdown of remuneration of our Directors of our Company for the year ended 31 December 2006 is set out below:

Name	Salary(1)	Performance Bonus	Directors' Fee(2)	Total
	%	%	%	%
S$250,000 and above				
Nil	–	–	–	–
Below S$250,000				
Mok Yip Peng	100	0	0	100
Wong Wei Teck	100	0	0	100
Then Khek Koon	0	0	100	100
Professor Cham Tao Soon	0	0	0	0
Chua Koh Ming	0	0	0	0
Jong Voon Hoo	0	0	0	0
Saw Meng Tee	0	0	0	0

Corporate Governance Report

The breakdown of remuneration of our Executive Officers of our Company for the year ended 31 December 2006 is set out below:

Name	Designation	Salary[1]	Bonus	Total
		%	%	%
S$250,000 and above				
Nil		–	–	–
Below S$250,000				
Victor Lee Ngai Meng	Senior Manager, Operations	89	11	100
Ng Eng Chyuan	Senior Manager, Kitchen Management	89	11	100
Chan Chee Hung	Senior Manager, Food Processing and Logistic	89	11	100
Toh Yen Sang[3]	Senior Manager, Finance	89	11	100
Audrey Ng Wee Yen	Senior Manager, Administration	89	11	100

Notes:

(1) Salary is inclusive of CPF contribution.
(2) Directors' fees are only payable after approval by shareholders at a general meeting.
(3) Toh Yen Sang is the sister-in-law of Mok Yip Peng, Executive Chairman and Managing Director.

There are no employees of our Group who are immediate family members of a director and whose remuneration exceeds S$150,000 during the financial year ended 31 December 2006.

ACCOUNTABILITY AND AUDIT

CCDG Code Principle 10: Accountability

The Board will report to the shareholders at each general meeting while the management of our Company is accountable to the Board. Our Company will announce its half year and full year results, and make disclosure of other relevant information of our Company to the SGX-ST and the public via SGXNET as required by the SGX-ST listing manual. Our Company is not required to announce its results on a quarterly basis.

CCDG Code Principle 11: Audit Committee

The Audit Committee comprises Professor Cham Tao Soon as Chairman, Chua Koh Ming, Jong Voon Hoo and Saw Meng Tee as members.

The Audit Committee performs the following functions:

1. review the scope and results of the audit and its cost effectiveness and the independence and objectivity of the external auditors;

2. review the significant financial reporting issues and judgments so as to ensure the integrity of the financial statements and any formal announcements relating to our financial performance;

3. review the adequacy of the internal controls, in accordance with the guidelines as set out in the CCDG Code;

4. review the effectiveness of the internal audit function;

5. make recommendations to the Board on the appointment, re-appointment and removal of the external auditor and approving the remuneration and terms of engagement of the external auditors;

6. review arrangements by which staff of our Company, may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters;

7. review the external auditors' reports;

8. review the co-operation given by our Company's officers to the external auditors;

9. review and approve interested person transactions, if any;

10. review the appointment of Toh Yen Sang as the Senior Manager, Finance of our Company due to the relationship between Mok Yip Peng and herself; and

11. review the adequacy of the business risk management process.

Apart from the duties listed above, the Audit Committee shall commission and review the findings of internal investigations into matters where there is any suspected fraud or irregularity, or failure of internal controls or infringement of any Singapore law, rule or regulation which has or is likely to have a material impact on our Company's operating results and financial position.

In the event that a member of the Audit Committee is interested in any matter being considered by the Audit Committee, he will abstain from reviewing that particular transaction or voting on that particular resolution.

CCDG Code Principle 12: Internal Controls

As part of the statutory audit, the external auditors, BDO Raffles, will carry out, in the course of their statutory audit, a review of the effectiveness of the Group's material internal controls, annually to the extent of their scope as laid out in their audit plan. Any material non-compliance and internal control weaknesses noted during their audit and their recommendations, shall be reported to the Audit Committee.

For the financial year ended 31 December 2006, the Board is of the view that, in the absence of evidence to the contrary, the system of internal controls maintained by our Group's management provides reasonable but not absolute assurance against all material financial misstatement or loss.

CCDG Code Principle 13: Internal Audit

Our Company has appointed Horwath First Trust as internal auditors to review the internal control system of our Group for the next two years. The internal auditors will report their findings to the Audit Committee periodically and our Company will announce the outcome of the final review via SGXNET at the end of the two years period. The external auditors will recommend to the Audit Committee on whether our Group needs to retain the internal control system review function.

COMMUNICATION WITH SHAREHOLDERS

CCDG Code Principle 14: Communication with Shareholders

Our Company will announce its half year and full year results and any material and price-sensitive information to the public via SGXNET on a timely basis. All shareholders of our Company will receive the annual report of our Company and the notice of the annual general meeting at least 14 days before the meeting.

CCDG Code Principle 15: Greater Shareholder Participation

At general meetings, shareholders are given opportunities to voice their views and direct their questions to directors or management regarding our Company. The chairpersons of the Audit, Nominating and Remuneration Committees and the external auditors will be present to address and to assist our Directors in addressing queries raised by the shareholders.

Corporate Governance Report

Risk Management
(Listing Manual Rule 1207(4)(b)(iv))

Our Company does not have a Risk Management Committee. However, the management will regularly review our Company's business and operating activities and the business environment to identify areas of significant business risks and recommend appropriate measures which will control or mitigate these risks.

Securities Transactions
(Listing Manual Rule 1207(18))

Our Company will put in place an internal code on dealings in securities which provides guidance and internal regulation with regard to dealings in our Company's securities by its directors and officers. Directors and officers who are in possession of price-sensitive information which is not publicly available shall not deal in our Company's securities during the window period.

Interested Person Transactions
(Listing Manual Rule 907)

Our Company will implement the following procedures for the identification of interested persons and the recording of interested person transactions:-

1. Our Company will maintain a list of interested persons and disclose the list to relevant key personnel of each subsidiary to enable the identification of interested persons. The master list of interested persons shall be reviewed at least half-yearly or when there are changes to the list, by our Audit Committee and maintained by our Senior Manager, Finance; and

2. Our Company will maintain a register of transactions carried out with all interested persons

Our Audit Committee will adopt the following procedures when reviewing interested person transactions:-

1. When purchasing items from or engaging the services of an interested person, two other quotations from non-interested persons will be obtained for comparison, to ensure that the interests of minority shareholders are not disadvantaged. The purchase price or fee for services shall not be higher than the most competitive price or fee of the two other quotations from non-interested persons; and

2. When renting properties from or to an interested person, our Directors shall take appropriate steps to ensure that such rent is commensurate with the prevailing market rates, including adopting measures such as making relevant inquiries with landlords of similar properties and obtaining suitable reports or reviews published by property agents. The rent payable shall be based on the most competitive market rental rates of similar property in terms of size and location, based on the results of the relevant inquiries.

Annual Report 2006

Financial Contents

Report of The Directors

The Directors of the Company present their report to the members together with the audited financial statements of the Group for the financial year ended 31 December 2006 and the balance sheet of the Company as at 31 December 2006 and the statement of changes in equity of the Company for the financial year ended 31 December 2006.

On 23 March 2007, the Company changed its name to Soup Restaurant Group Pte Ltd. On 26 March 2007, the Company converted to a public limited company and changed its name to Soup Restaurant Group Limited. The Company was admitted to the official list of the Singapore Exchange Securities Trading Limited Dealing and Automated Quotation System ("SGX-SESDAQ") on 28 May 2007.

1. Directors

The Directors of the Company in office at the date of this report are:

Mok Yip Peng	
Wong Wei Teck	
Then Khek Koon	
Professor Cham Tao Soon	(Appointed on 14 May 2007)
Chua Koh Ming	(Appointed on 23 March 2007)
Jong Voon Hoo	(Appointed on 23 March 2007)
Saw Meng Tee	(Appointed on 23 March 2007)

2. Arrangements to enable Directors to acquire shares or debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object is to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

3. Directors' interests in shares or debentures

According to the register of Directors' shareholdings kept by the Company for the purposes of Section 164 of the Singapore Companies Act, Cap. 50 (the "Act"), none of the Directors who held office at the end of the financial year had any interests in the shares or debentures of the Company or its related corporations except as detailed below:

	Balance at 1 January 2006	Balance at 31 December 2006
The Company	**Number of ordinary shares**	
Mok Yip Peng	62,916	64,174
Wong Wei Teck	46,354	47,281
Then Khek Koon	36,505	37,240

By virtue of Section 7 of the Act, Mr Mok Yip Peng is deemed to have interests in the shares of all the wholly-owned subsidiaries of Soup Restaurant Group Limited, at the beginning and at the end of the financial year.

In accordance with the continuing listing requirements of the Singapore Exchange Securities Trading Limited, the Directors of the Company state that, according to the register of Directors' shareholdings, the Directors' interests as at 21 January 2007 in the shares of the Company or its related corporations have not changed from those disclosed as at 31 December 2006.

Report of The Directors

4. Directors' contractual benefits

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive a benefit by reason of a contract made by the Company or by a related corporation with the Director, or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except as disclosed in the financial statements.

5. Share options

There were no share options granted by the Company or its subsidiaries during the financial year.

There were no shares issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company or its subsidiaries.

There were no unissued shares of the Company or its subsidiaries under options as at the end of the financial year.

6. Audit committee

The Audit Committee at the date of this report comprises the following members, all of whom are Independent Directors:

Cham Tao Soon (Chairman)
Jong Voon Hoo
Chua Koh Ming
Saw Meng Tee

The Audit Committee shall meet periodically to perform the following functions:

a. review with the external auditors the audit plan, and the results of the external auditors' examination and evaluation of the system of internal controls;

b. review the consolidated financial statements of the Group, balance sheet and statement of changes in equity of the Company, and the external auditors' report on those financial statements, before submission to the Board of Directors for approval;

c. review the co-operation given by the management to the auditors;

d. consider the appointment and re-appointment of the external auditors;

e. to review and approve interested person transactions;

f. to review potential conflict of interests, if any;

g. undertake such other reviews and projects as may be requested by the Board and will report to the Board its findings from time to time on matter arising and requiring the attention of the Audit Committee; and

h. to generally undertake such other functions and duties as may be required by statute or the SGX-ST Listing Manual, and by such amendments made thereto from time to time.

The Audit Committee has recommended to the Board of Directors the nomination of BDO Raffles, for re-appointment as auditors of the Company at the forthcoming Annual General Meeting.

Report of The Directors

7. Auditors

The auditors, BDO Raffles, have expressed their willingness to accept re-appointment.

On behalf of the Board of Directors

Mok Yip Peng
Director

Wong Wei Teck
Director

Singapore
4 June 2007

Statement by Directors

The Board of Directors is responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the "Act") and Singapore Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

In our opinion,

(a) the accompanying financial statements comprising the balance sheets, the consolidated income statement, statements of changes in equity and consolidated cash flow statement together with the notes thereon are drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2006, and of the results, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year ended on that date; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Board of Directors

Mok Yip Peng
Director

Wong Wei Teck
Director

Singapore
4 June 2007

Independent Auditors' Report

To The Members of Soup Restaurant Group Limited

We have audited the accompanying financial statements of Soup Restaurant Group Limited (formerly known as Soup Restaurant Pte Ltd) (the "Company") and its subsidiaries (the "Group") as set out on page 29 to 63, which comprise the balance sheets of the Group and the Company as at 31 December 2006, and the income statement, statement of changes in equity and cash flow statement of the Group and the statement of changes in equity of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

The Company's Directors are responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the "Act") and Singapore Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion,

(a) the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2006 and of the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the financial year ended on that date; and

(b) the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

BDO Raffles
Certified Public Accountants

Singapore
4 June 2007

Balance Sheets

As as 31 December 2006

	Note	Group 2006 $	Group 2005 $	Company 2006 $	Company 2005 $
Non-current assets					
Plant and equipment	4	2,584,910	1,797,590	592,983	794,376
Investments in subsidiaries	5	–	–	394,161	200,002
Available-for-sale financial assets	6	–	197,000	–	–
		2,584,910	1,994,590	987,144	994,378
Current assets					
Inventories	7	39,648	38,836	39,648	38,836
Trade and other receivables	8	2,375,469	1,296,875	1,164,461	1,837,076
Current income tax recoverable		–	64,508	–	64,508
Cash and cash equivalents	9	3,671,746	3,515,709	1,608,148	1,352,537
		6,086,863	4,915,928	2,812,257	3,292,957
Less:					
Current liabilities					
Trade and other payables	10	2,537,216	2,721,825	1,465,051	3,194,204
Finance lease payables	11	26,566	7,144	7,144	7,144
Provisions	12	238,638	164,983	50,988	48,560
Borrowings from financial institutions	13	8,850	–	–	–
Current income tax payable		591,568	357,875	104,146	–
		3,402,838	3,251,827	1,627,329	3,249,908
Net current assets		2,684,025	1,664,101	1,184,928	43,049
Non-current liabilities					
Finance lease payables	11	(66,369)	(28,512)	(21,369)	(28,512)
Deferred tax liabilities	14	(220,310)	(203,772)	(80,356)	(111,000)
		(286,679)	(232,284)	(101,725)	(139,512)
Net assets		4,982,256	3,426,407	2,070,347	897,915
Capital and reserves					
Share capital	15	245,000	245,000	245,000	245,000
Accumulated profits		4,389,671	3,181,407	1,825,347	652,915
Total attributable to equity holders of the Company		4,634,671	3,426,407	2,070,347	897,915
Minority interests		347,585	–	–	–
Total equity		4,982,256	3,426,407	2,070,347	897,915

The accompanying notes form an integral part of the financial statements.

Consolidated Income Statement

For the Financial Year Ended 31 December 2006

	Note	2006	2005
		$	$
Revenue	16	21,893,085	19,962,696
Other income	17	329,361	419,696
Changes in inventories		812	8,181
Purchases and other consumables		(5,125,951)	(4,826,402)
Employee benefits expenses	18	(7,042,847)	(6,601,993)
Depreciation of plant and equipment	4	(852,580)	(736,095)
Other expenses		(6,334,097)	(6,365,462)
Finance costs	19	(10,197)	(5,100)
Profit before income tax	20	2,857,586	1,855,521
Income tax	21	(537,428)	(483,631)
Profit after income tax		2,320,158	1,371,890
Attributable to:			
— Equity holders of the Company		2,208,264	1,371,890
— Minority interests		111,894	—
		2,320,158	1,371,890
Earnings per share	22		
Basic		9.01	5.60
Diluted		9.01	5.60

The accompanying notes form an integral part of the financial statements.

Statements of Changes in Equity

For the Financial Year Ended 31 December 2006

Group	Note	Attributable to equity holders of the Company			Minority interests	Total equity
		Share capital	Accumulated profits	Total		
		$	$	$	$	$
Balance at 1.1.2006		245,000	3,181,407	3,426,407	–	3,426,407
Net profit for the financial year		–	2,208,264	2,208,264	111,894	2,320,158
Acquisition of subsidiary	5	–	–	–	235,691	235,691
Dividends	23	–	(1,000,000)	(1,000,000)	–	(1,000,000)
Balance at 31.12.2006		245,000	4,389,671	4,634,671	347,585	4,982,256
Balance at 1.1.2005		245,000	3,309,517	3,554,517	–	3,554,517
Net profit for the financial year		–	1,371,890	1,371,890	–	1,371,890
Dividends	23	–	(1,500,000)	(1,500,000)	–	(1,500,000)
Balance at 31.12.2005		245,000	3,181,407	3,426,407	–	3,426,407

Company	Note	Share capital	Accumulated profits	Total
		$	$	$
Balance at 1.1.2006		245,000	652,915	897,915
Net profit for the financial year		–	2,172,432	2,172,432
Dividends	23	–	(1,000,000)	(1,000,000)
Balance at 31.12.2006		245,000	1,825,347	2,070,347
Balance at 1.1.2005		245,000	651,245	896,245
Net profit for the financial year		–	1,501,670	1,501,670
Dividends	23	–	(1,500,000)	(1,500,000)
Balance at 31.12.2005		245,000	652,915	897,915

The accompanying notes form an integral part of the financial statements.

Consolidated Cash Flow Statement

For the Financial Year Ended 31 December 2006

	Note	2006	2005
		$	$
Cash flows from operating activities			
Profit before income tax		2,857,586	1,855,521
Adjustments for:			
Accreditation of negative goodwill		(48,114)	–
Allowance for doubtful trade receivables	8	–	34,302
Allowance for doubtful non-trade receivables	8	–	24,000
Bad non-trade receivables written off		527	1,590
Depreciation of plant and equipment	4	852,580	736,095
Plant and equipment written off		24,119	189,711
Impairment in value of available-for-sale financial assets	6	–	120,000
Interest expense		10,197	5,100
Interest income		(17,458)	(16,930)
Loss on disposal of plant and equipment		7,896	32,330
Operating profit before working capital changes		3,687,333	2,981,719
Working capital changes:			
Inventories		(812)	(8,181)
Trade and other receivables		(771,688)	(157,820)
Trade and other payables		(639,797)	1,032,456
Cash generated from operations		2,275,036	3,848,174
Income taxes paid		(282,189)	(170,947)
Interest paid		(1,953)	(5,100)
Interest received		17,458	16,930
Net cash from operating activities		2,008,352	3,689,057
Cash flows from investing activities			
Proceeds from disposal of plant and equipment		4,066	33,917
Purchases of plant and equipment	4	(812,802)	(120,945)
Net cash inflow from acquisition of subsidiary	5	120,383	–
Net cash used in investing activities		(688,353)	(87,028)
Cash flows from financing activities			
Dividends paid	23	(1,000,000)	(1,500,000)
Fixed deposits pledged		1,005,480	129,544
Repayments of borrowings from financial institutions		(152,909)	(755,651)
Repayments of finance lease obligations		(11,053)	(13,991)
Net cash used in financing activities		(158,482)	(2,140,098)
Net change in cash and cash equivalents		1,161,517	1,461,931
Cash and cash equivalents at beginning of financial year		2,510,229	1,048,298
Cash and cash equivalents at end of financial year	9	3,671,746	2,510,229

The accompanying notes form an integral part of the financial statements.

Notes to The Financial Statements

For the Financial Year Ended 31 December 2006

These notes form an integral part of and should be read in conjunction with the financial statements.

1. General corporate information

The balance sheet and statement of changes in equity of Soup Restaurant Group Limited (formerly known as Soup Restaurant Pte Ltd) (the "Company") and the consolidated financial statements of the Group for the financial year ended 31 December 2006 were authorised for issue in accordance with a Directors' resolution dated 4 June 2007.

On 23 March 2007, the Company changed its name to Soup Restaurant Group Pte Ltd. On 26 March 2007, the Company converted to a public limited company and changed its name to Soup Restaurant Group Limited. The Company was admitted to the official list of the Singapore Exchange Securities Trading Limited Dealing and Automated Quotation System ("SGX-SESDAQ") on 28 May 2007.

The Company is a public limited company, incorporated and domiciled in Singapore with its registered office and principal place of business at 171 Kampong Ampat, #03-11 KA FoodLink, Singapore 368330. The Company's registration number is 199103597Z.

The principal activities of the Company are those of operations of restaurants and investment holding company. The principal activities of the subsidiaries are set out in Note 5 to the financial statements.

2. Summary of significant accounting policies

(a) Basis of preparation of financial statements

The financial statements are prepared in accordance with Singapore Financial Reporting Standards ("FRS") as required by the Singapore Companies Act, Cap. 50 (the "Act") and are prepared under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with FRS requires the Directors to exercise judgement in the process of applying the Group's and the Company's accounting policies and requires the use of accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date, and the reported amounts of revenue and expenses during the financial year. Although these estimates are based on the Directors' best knowledge of historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances, actual results may differ from those estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical accounting estimates and assumptions used that are significant to the financial statements, and areas involving a higher degree of judgement of complexity, are disclosed in Note 3 to the financial statements.

During the financial year, the Group and the Company adopted the new or revised FRS and Interpretations of FRS ("INT FRS") issued by the Council on Corporate Disclosure and Governance that are relevant to its operations and effective for the current financial year. Changes to the Group's and the Company's accounting policies have been made as required, in accordance with the relevant transitional provisions in the respective FRS and INT FRS. The adoption of the new or revised FRS and INT FRS did not result in any substantial changes to the Group's and the Company's accounting policies.

Notes to The Financial Statements

For the Financial Year Ended 31 December 2006

2. Summary of significant accounting policies (Continued)

(a) Basis of preparation of financial statements (Continued)

FRS and INT FRS issued but not yet effective

The Group and the Company have not adopted the following FRS and INT FRS that have been issued but not yet effective:

			Effective date (Annual periods beginning on or after)
FRS 1	:	Amendment to FRS 1 (revised), Presentation of Financial Statements (Capital Disclosures)	1 January 2007
FRS 40	:	Investment Property	1 January 2007
FRS 107	:	Financial Instruments: Disclosures	1 January 2007
FRS 108	:	Operating Segments	1 January 2009
INT FRS 107	:	Applying the Restatement Approach under FRS 29 Financial Reporting in Hyperinflationary Economies	1 March 2006
INT FRS 108	:	Scope of FRS 102	1 May 2006
INT FRS 109	:	Reassessment of Embedded Derivatives	1 June 2006
INT FRS 110	:	Interim Financial Reporting and Impairment	1 November 2006
INT FRS 111	:	FRS 12 – Group and Treasury Share Transactions	1 March 2007
INT FRS 112	:	Service Concession Arrangements	1 January 2008

The Group and the Company expect that the adoption of the above pronouncements, if applicable, will have no material impact on the financial statements in the period of initial application, except for FRS 107 and the amendment to FRS1 as indicated below:

FRS 107, Financial Instruments: Disclosures and amendment to FRS1 (revised), Presentation of Financial Statements (Capital Disclosures)

FRS 107 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidiry risk and market risk, including sensitivity analysis to market risk. The amendment to FRS 1 requires the Group to make new disclosure to enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital.

The Group will apply FRS 107 and the amendment to FRS 1 from annual period beginning 1 January 2007.

(b) Basis of consolidation

The purchase method of accounting is used to account for the acquisitions of subsidiaries and businesses. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values on the date of acquisition, irrespective of the extent of any minority interest.

2. Summary of significant accounting policies (Continued)

(b) Basis of consolidation (Continued)

Subsidiaries are consolidated from the date on which control is transferred to the Group to the date on which that control ceases. In preparing the consolidated financial statements, inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

(c) Goodwill

Goodwill is initially measured at cost being the excess of the cost of a business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less impairment in value, if any.

Goodwill acquired in a business combination is included in intangible assets.

Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised as negative goodwill in the income statement of the Group on the date of acquisition.

Gains and losses on the disposal of a business combination include the carrying amount of goodwill relating to the entity or business sold.

(d) Plant and equipment

Plant and equipment are initially recorded at cost. Subsequent to initial recognition, plant and equipment are stated at cost less accumulated depreciation and impairment in value, if any.

The cost of plant and equipment includes expenditure that is directly attributable to the acquisition of the items. Dismantlement, removal or restoration costs are included as part of the cost of plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the plant and equipment.

Subsequent expenditure relating to the plant and equipment that has already been recognised is added to the carrying amount of the asset when it is probable that the future economic benefits, in excess of the standard of performance of the asset before the expenditure was made, will flow to the Group and the Company, and the cost can be reliably measured. Other subsequent expenditure is recognised as an expense during the financial year in which it is incurred.

On disposal of an item of plant and equipment, the difference between the net disposal proceeds and its carrying amount is taken to the income statement.

Notes to The Financial Statements

For the Financial Year Ended 31 December 2006

2. Summary of significant accounting policies (Continued)

(d) Plant and equipment (Continued)

Depreciation is calculated on the straight-line method so as to write off the depreciable amount of the plant and equipment over their estimated useful lives as follows:

	Years
Air-conditioners	6
Computer	3
Electrical equipment	6
Furniture and fittings	6
Kitchen equipment	6
Motor vehicles	6
Office equipment	6
Renovation	3 - 6

The residual values, useful life and depreciation method are reviewed at each balance sheet date to ensure that the residual values, period of depreciation and depreciation method are consistent with previous estimates and expected pattern of consumption of the future economic benefits embodied in the items of plant and equipment.

Fully depreciated plant and equipment are retained in the financial statements until such time when they are no longer in use.

(e) Subsidiaries

Subsidiaries are entities over which the Group has power to govern the financial and operating policies, generally accompanying a shareholding, of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Investments in subsidiaries are stated at cost on the Company's balance sheet less impairment in value, if any.

(f) Impairment of non-financial assets

Non-financial assets other than goodwill

The carrying amount of the Group's and the Company's non-financial asset is reviewed at each balance sheet date to determine whether there is any indication of impairment in value. If any such indication exists, the assets' recoverable amount is estimated.

An impairment in value is recognised whenever the carrying amount of the asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment in value is recognised in the income statement unless it reverses a previous revaluation, credited to equity, in which case it is charged to equity.

2. Summary of significant accounting policies (Continued)

(f) Impairment of non-financial assets (Continued)

The recoverable amount of an asset or cash-generating unit is the higher of its fair value less costs to sell and its value in use. Recoverable is determined for individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. The fair value less cost to sell is the amount obtainable from the sale of an asset or cash-generating unit in an arm's length transaction between knowledgeable, willing parties, less costs of disposal. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life, discounted at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit for which the future cash flow estimates have not been adjusted.

An assessment is made at the balance sheet date as to whether there is any indication that an impairment in value recognised in prior periods for an asset may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. An impairment in value recognised in prior periods is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment in value was recognised. An impairment in value is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment in value has been recognised. Reversals of impairment in value are recognised in the income statement unless the asset is carried at revalued amount, in which case the reversal in excess of impairment in value recognised in the income statement in prior periods is treated as a revaluation increase. After such a reversal, the depreciation is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(g) Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost is determined on a "first-in, first-out" basis and includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price at which the inventories can be realised in the normal course of business after allowing for the costs of realisation. Allowance is made for obsolete, slow-moving and defective inventories.

(h) Financial assets

Classification

The Group and the Company classify their financial assets as loans and receivables and available-for-sale financial assets. The classification depends on the purpose of which the assets were acquired. Directors of the Company determine the classification of their financial assets at initial recognition and re-evaluate this designation at the balance sheet date, with the exception that the designation of financial assets at fair value through profit or loss is irrevocable.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are classified within "trade and other receivables" and "cash and cash equivalents" on the balance sheets.

Notes to The Financial Statements

For the Financial Year Ended 31 December 2006

2. Summary of significant accounting policies (Continued)

(h) Financial assets (Continued)

Classification (Continued)

(ii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or not classified in any of the other categories. They are included in non-current assets unless the Directors intend to dispose of the assets within 12 months after the balance sheet date.

Recognition and derecognition

Regular purchases and sales of financial assets are recognised on trade-date, the date on which the Group and the Company commit to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group and the Company have transferred substantially all risks and rewards of ownership.

On sale of a financial asset, the difference between the carrying amount and the net sale proceeds is recognised in the income statement. Any amount in the fair value reserve relating to the asset is also recognised in the income statement.

Initial and subsequent measurement

Financial assets are initially recognised at fair value plus transaction costs.

After initial recognition, loans and receivables are carried at amortised cost using the effective interest method, less impairment in value, if any.

Available-for-sale financial assets are re-measured at fair value with gains or losses recognised in the fair value reserve until the assets are derecognised, or determined to be impaired, at which time the cumulative gains or losses previously reported in equity are transferred to the income statement.

Impairment

The Group and the Company assess at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

(i) Loans and receivables

An allowance for impairment of loans and receivables is recognised when there is objective evidence that the Group and the Company will not be able to collect all amounts due according to the original terms of the receivables. The amount of allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in the income statement.

(ii) Available-for-sale financial assets

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal repayment and amortisation) and its current fair value, less any impairment in value previously recognised in the income statement, is transferred from equity to the income statement. Reversal of impairment in value in respect of equity instruments classified as available-for-sale is recognised through equity. Reversal of impairment in value on debt instruments is recognised in the income statement if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment in value was recognised in the income statement.

2. Summary of significant accounting policies (Continued)

(i) Financial liabilities

Classification

The Group and the Company classify its financial liabilities as other financial liabilities.

(i) Trade and other payables

Trade and other payables are recognised initially at cost which represents the fair value of the consideration to be paid in the future, less transaction cost, for goods received or services rendered, whether or not billed to the Group and the Company, and are subsequently measured at amortised cost using the effective interest method.

Gains or losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

(ii) Finance leases

Leases in which the Group and the Company assume substantially the risks and rewards of ownership are classified as finance leases.

Upon initial recognition, plant and equipment acquired through finance leases are capitalised at the lower of its fair value and the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised.

Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Lease payments are apportioned between finance charge and reduction of the lease liability. The finance charge is allocated to each period during the lease term so as to achieve a constant periodic rate of interest on the remaining balance of the finance lease liability. Finance charge is recognised in the income statement.

Contingent lease payments are recognised as an expense in the income statement in the financial year in which they are incurred.

Capitalised leased asset are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group and the Company will obtain ownership by the end of the finance lease term.

(iii) Bank borrowings

Borrowings are initially recognised at the fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is taken to the income statement over the period of the borrowings using the effective interest method.

Borrowings which are due to be settled within 12 months after the balance sheet date are presented as current borrowings even though the original term was for a period longer than 12 months and an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the balance sheet date and before the financial statements are authorised for issue. Other borrowings due to be settled more than 12 months after the balance sheet date are presented as non-current borrowings in the balance sheets.

Notes to The Financial Statements

For the Financial Year Ended 31 December 2006

2. Summary of significant accounting policies (Continued)

(i) Financial liabilities (Continued)

Recognition and derecognition

Financial liabilities are recognised on the balance sheets when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument.

Financial liabilities are derecognised when the contractual obligation has been discharged or cancelled or expired.

On derecognition of a financial liability, the difference between the carrying amount and the consideration paid is recognised in the income statement.

(j) Provisions

Provisions are recognised when the Group and the Company have a present obligation as a result of a past event and it is probable an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

(k) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Ordinary shares are classified as equity and recognised at the fair value of the consideration received by the Company. Incremental costs directly attributable to the issuance of new shares are shown in the equity as a deduction from the proceeds.

(l) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(m) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods and rendering of services in the ordinary course of business of the Group and of the Company. Revenue is presented, net of rebates and discounts and sales related taxes. Group's revenue is in respect of external transactions only.

Revenue is recognised upon the billing of food and beverages to customers.

Dividend income is recognised in the income statement when the shareholder's right to receive the payment is established.

2. Summary of significant accounting policies (Continued)

(n) Employee benefits

Defined contribution plans

Contributions to defined contribution plans are recognised as an expense in the income statement in the same financial year as the employment that gives rise to the contributions.

Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. An accrual is made for the estimated liability for unutilised annual leave as a result of services rendered by employees up to the balance sheet date.

(o) Leases

When the Group and the Company are the lessee of an operating lease

Leases of assets in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under the lease (net of any incentives received from the lessor) are recognised in the income statement on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the financial year in which termination takes place.

Contingent rents are recognised as an expense in the income statement in the financial year in which they are incurred.

(p) Government grants

Government grants relating to expenditures which are not capitalised are credited to the income statement as and when the underlying expenses are included and taken to the income statement to match such expenditures.

(q) Borrowing costs

Borrowing costs are recognised as an expense in the income statement in the financial year in which they are incurred. Borrowing costs are recognised on a time-proportion basis in the income statement using the effective interest method.

(r) Income tax

Income tax for the financial year comprises current and deferred taxes. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case such income tax is recognised in equity.

Current tax is the expected tax payable on the taxable income for the financial year, using tax rates enacted or substantially enacted by the balance sheet date, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is provided for temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax is measured using the tax rates expected to be applied to the temporary differences when they are realised or settled, based on tax rates enacted or substantially enacted by the balance sheet date.

Notes to The Financial Statements

For the Financial Year Ended 31 December 2006

2. Summary of significant accounting policies (Continued)

(r) Income tax (Continued)

Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax assets are reviewed at each balance sheet date and reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profits will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same tax authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Deferred tax liabilities are recognised for all taxable temporary differences associated with investments in subsidiaries, except where the timing of the reversal of the temporary difference can be controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

(s) Dividends

Equity dividends are recognised when they become legally payable. Interim dividends are recorded in the financial year in which they are declared payable. Final dividends are recorded in the financial year in which the dividends are approved by the shareholders.

(t) Foreign currencies

The individual financial statements of each entity in the Group are measured in the currency of the primary economic environment in which the entity operates ("functional currency").

The consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are presented in Singapore Dollar, which is the functional and presentation currency of the Company.

In preparing the financial statements, transactions in currencies other than the entity's functional currency ("foreign currency") are recorded at the rates of exchange prevailing on the date of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are re-translated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are re-translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

Exchange differences arising on the settlement of monetary items and on re-translating of monetary items are included in the income statement for the financial year. Exchange difference arising on the re-translation of non-monetary items carried at fair value are included in the income statement for the financial year except for differences arising on the re-translation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

3. Critical accounting judgements and key sources of estimation uncertainty

Critical judgements made in applying the accounting policies

In the process of applying the Group's accounting policies, the Directors of the Company are of the opinion that there are no critical judgements involved that have a significant effect on the amounts recognised in the financial statements except as discussed below.

(i) Impairment of financial assets

The Group and the Company follow the guidance of FRS 39 on determining when an investment or financial asset is other than temporarily impaired. This determination requires significant judgement. The Group and the Company evaluate, among other factors, the duration and extent to which the fair value of an investment or financial asset is less than its cost and the financial health of and near-term business outlook for the investment or financial asset, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(i) Depreciation of plant and equipment

These assets are depreciated on a straight-line method over their estimated useful lives. The Directors estimate the useful lives of these assets to be within 3 to 6 years. The carrying amount of the Group's plant and equipment at 31 December 2006 was $2,584,910 (2005: $1,797,590). Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

Notes to The Financial Statements

For the Financial Year Ended 31 December 2006

4. Plant and equipment

Group	Air-conditioners	Computer	Electrical equipment	Furniture and fittings	Kitchen equipment	Motor vehicles	Office equipment	Renovation	Total
	$	$	$	$	$	$	$	$	$
Cost									
Balance at 1.1.2006	371,879	185,525	370,895	669,737	1,054,008	120,000	44,730	1,777,850	4,594,624
Acquisition of subsidiary	61,946	2,972	30,776	45,202	259,221	58,356	15,202	363,582	837,257
Additions	72,190	28,868	64,975	142,322	154,669	27,979	10,136	337,585	838,724
Disposals	–	–	–	–	(6,800)	(14,800)	–	–	(21,600)
Written off	(99,279)	(157,719)	(98,879)	(209,777)	(319,743)	–	(19,235)	(724,095)	(1,628,727)
Balance at 31.12.2006	406,736	59,646	367,767	647,484	1,141,355	191,535	50,833	1,754,922	4,620,278
Accumulated depreciation									
Balance at 1.1.2006	215,874	163,142	209,438	387,134	620,151	43,525	28,297	1,129,473	2,797,034
Depreciation charged for the financial year	50,947	18,397	49,457	90,169	140,622	22,780	6,463	473,745	852,580
Disposals	–	–	–	–	(2,444)	(7,194)	–	–	(9,638)
Written off	(99,279)	(157,541)	(98,875)	(200,764)	(306,342)	–	(18,610)	(723,197)	(1,604,608)
Balance at 31.12.2006	167,542	23,998	160,020	276,539	451,987	59,111	16,150	880,021	2,035,368
Net book value									
Balance at 31.12.2006	239,194	35,648	207,747	370,945	689,368	132,424	34,683	874,901	2,584,910

4. Plant and equipment (Continued)

Group	Air-conditioners	Computer	Electrical equipment	Furniture and fittings	Kitchen equipment	Motor vehicles	Office equipment	Renovation	Total
	$	$	$	$	$	$	$	$	$
Cost									
Balance at 1.1.2005	384,221	180,918	368,959	712,045	1,058,322	120,000	43,749	1,745,523	4,613,737
Additions	34,895	8,017	31,025	8,715	27,199	–	2,711	173,366	285,928
Disposals	(40,612)	(3,410)	(4,784)	(9,695)	(20,171)	–	(1,170)	–	(79,842)
Written off	(6,625)	–	(24,305)	(41,328)	(11,342)	–	(560)	(141,039)	(225,199)
Balance at 31.12.2005	371,879	185,525	370,895	669,737	1,054,008	120,000	44,730	1,777,850	4,594,624
Accumulated depreciation									
Balance at 1.1.2005	175,334	131,284	167,392	312,154	501,269	23,525	23,691	775,373	2,110,022
Depreciation charged for the financial year	48,173	33,520	46,119	81,338	124,741	20,000	5,041	377,163	736,095
Disposals	(6,543)	(1,662)	(698)	(1,361)	(3,153)	–	(178)	–	(13,595)
Written off	(1,090)	–	(3,375)	(4,997)	(2,706)	–	(257)	(23,063)	(35,488)
Balance at 31.12.2005	215,874	163,142	209,438	387,134	620,151	43,525	28,297	1,129,473	2,797,034
Net book value									
Balance at 31.12.2005	156,005	22,383	161,457	282,603	433,857	76,475	16,433	648,377	1,797,590

Notes to The Financial Statements

For the Financial Year Ended 31 December 2006

4. Plant and equipment (Continued)

Company	Air-conditioners	Computer	Electrical equipment	Furniture and fittings	Kitchen equipment	Motor vehicles	Office equipment	Renovation	Total
	$	$	$	$	$	$	$	$	$
Cost									
Balance at 1.1.2006	140,127	82,966	127,925	189,042	440,258	120,000	21,403	558,285	1,680,006
Additions	–	18,904	358	6,079	9,660	27,979	–	–	62,980
Disposals	–	–	–	–	–	(14,800)	–	–	(14,800)
Written off	(22,043)	(73,184)	(17,176)	(24,613)	(50,650)	–	(4,528)	(60,135)	(252,329)
Balance at 31.12.2006	118,084	28,686	111,107	170,508	399,268	133,179	16,875	498,150	1,475,857
Accumulated depreciation									
Balance at 1.1.2006	78,670	71,769	67,740	99,586	228,904	43,525	11,888	283,548	885,630
Depreciation charged for the financial year	20,171	11,835	18,508	27,736	65,845	21,647	2,793	88,054	256,589
Disposals	–	–	–	–	–	(7,194)	–	–	(7,194)
Written off	(22,043)	(73,006)	(17,176)	(24,613)	(50,650)	–	(4,528)	(60,135)	(252,151)
Balance at 31.12.2006	76,798	10,598	69,072	102,709	244,099	57,978	10,153	311,467	882,874
Net book value									
Balance at 31.12.2006	41,286	18,088	42,035	67,799	155,169	75,201	6,722	186,683	592,983

4. Plant and equipment (Continued)

Company	Air-conditioners	Computer	Electrical equipment	Furniture and fittings	Kitchen equipment	Motor vehicles	Office equipment	Renovation	Total
	$	$	$	$	$	$	$	$	$
Cost									
Balance at 1.1.2005	140,127	81,493	127,925	188,687	428,055	120,000	20,709	509,725	1,616,721
Additions	–	2,023	–	355	12,203	–	694	48,560	63,835
Disposals	–	(550)	–	–	–	–	–	–	(550)
Balance at 31.12.2005	140,127	82,966	127,925	189,042	440,258	120,000	21,403	558,285	1,680,006
Accumulated depreciation									
Balance at 1.1.2005	58,499	46,968	49,282	72,244	164,551	23,525	9,163	195,494	619,726
Depreciation charged for the financial year	20,171	25,351	18,458	27,342	64,353	20,000	2,725	88,054	266,454
Disposals	–	(550)	–	–	–	–	–	–	(550)
Balance at 31.12.2005	78,670	71,769	67,740	99,586	228,904	43,525	11,888	283,548	885,630
Net book value									
Balance at 31.12.2005	61,457	11,197	60,185	89,456	211,354	76,475	9,515	274,737	794,376

Notes to The Financial Statements

For the Financial Year Ended 31 December 2006

4. Plant and equipment (Continued)

As at the balance sheet date, the net book values of plant and equipment which were acquired under finance lease agreements were as follows:

	Group		Company	
	2006	2005	2006	2005
	$	$	$	$
Kitchen equipment	30,960	–	–	–
Motor vehicles	89,209	48,375	31,986	48,375
	120,169	48,375	31,986	48,375

For the purpose of consolidated cash flow statement, the Group's additions to plant and equipment during the financial year comprised:

	Group	
	2006	2005
	$	$
Additions of plant and equipment	838,724	285,928
Provision for dismantlement, removal or restoration	(25,922)	(164,983)
Cash payments to acquire plant and equipment	812,802	120,945

5. Investments in subsidiaries

	Company	
	2006	2005
	$	$
Unquoted equity shares in corporations, at cost	494,261	300,102
Allowance for impairment in value	(100,100)	(100,100)
	394,161	200,002

Movements in allowance for impairment in value were as follows:

	Company	
	2006	2005
	$	$
Balance at beginning of financial year	100,100	–
Impairment made during the financial year	–	100,100
Balance at end of financial year	100,100	100,100

5. Investments in subsidiaries (Continued)

Acquisition of subsidiary

On 1 November 2006, the Group acquired 50.98% equity interests in Y.E.S F&B Group Pte. Ltd. ("YES") for a total consideration of $197,000 by way of conversion of convertible loan.

The identifiable assets and liabilities of YES as at 1 November 2006 were as follows:

	Group 2006 Carrying amount before combination and fair value recognised on acquisition $
Plant and equipment	837,257
Trade and other receivables	307,433
Cash and cash equivalents	120,383
Trade and other payables	(455,188)
Finance lease payables	(68,332)
Provisions	(39,489)
Bank borrowings	(161,759)
Current income tax payable	(59,500)
Net identifiable assets	480,805
Negative goodwill arising on acquisition	(48,114)
Minority interests	(235,691)
Total purchase consideration	197,000

YES contributed revenue of $1,203,787 and net profit of $228,263 to the Group for the financial period from 1 November 2006 to 31 December 2006. If the acquisition had occurred on 1 January 2006, the Group's revenue would have been $24,723,518 and the profit after income tax attributable to equity holders of the Company would have been $2,282,411.

	Group 2006 $
Cash inflow on acquisition	
Net cash acquired, representing net cash inflow on acquisition	120,383

Notes to The Financial Statements

For the Financial Year Ended 31 December 2006

5. Investments in subsidiaries (Continued)

The particulars of the subsidiaries are as follows:

Name of subsidiary	Principal activities	Country of incorporation and place of business	Effective equity interests held 2006 %	2005 %
Soup Restaurant (Seah Street) Pte Ltd*	Operation of restaurants	Singapore	100	100
Soup Restaurant (Jurong Point) Pte Ltd*	Operation of restaurants	Singapore	100	100
Soup Restaurant (Causeway Point) Pte Ltd*	Operation of restaurants	Singapore	100	100
Soup Restaurant (SC) Pte Ltd*	Operation of restaurants	Singapore	100	100
Soup Restaurant Investments Pte. Ltd.*	Investment holding company	Singapore	100	100
Y.E.S F&B Group Pte. Ltd.*	Business of food and beverages and general trading	Singapore	50.98	–

* Audited by BDO Raffles, Singapore

6. Available-for-sale financial assets

	Group 2006 $	2005 $
Convertible loans		
Convertible loan I to third party	–	197,000
Convertible loan II to third party	120,000	120,000
	120,000	317,000
Allowance for impairment in value	(120,000)	(120,000)
	–	197,000

The convertible loans are stated at cost as Directors are of the view that the nature and stage of these investments are such that their fair values cannot be measured reliably and it is also not possible to disclose the range of estimates within which a fair value is highly likely to lie as the loans are convertible to unquoted equity shares.

The convertible loans to third parties are unsecured and interest-free. The period in which, or the date at which, the convertible options can be exercised and the conversion ratios are to be mutually agreed between the Group and the third parties.

6. Available-for-sale financial assets (Continued)

In the previous financial year, convertible loan I was convertible to new ordinary shares of the third party up to a maximum of 51% of the issued and paid-up capital of the third party. On 1 November 2006, the Group has converted convertible loan I into 208,000 ordinary shares of YES comprising 50.98% of YES's enlarged share capital.

Convertible loan II is convertible to new ordinary shares of the third party up to a maximum of 30% of the issued and paid-up capital of the third party.

An allowance for impairment in value of $Nil (2005: $120,000) was recognised in the income statement subsequent to an assessment performed on the convertible loans by the Directors.

All convertible loans are denominated in Singapore Dollar.

7. Inventories

	Group and Company	
	2006	2005
	$	$
Consumables	39,648	38,836

8. Trade and other receivables

	Group		Company	
	2006	2005	2006	2005
	$	$	$	$
Trade receivables	242,441	310,666	56,691	109,493
Allowance for doubtful receivables	–	(161,487)	–	(44,972)
	242,441	149,179	56,691	64,521
Other receivables	69,955	33,869	66,478	30,351
Rental and utilities deposits	1,396,835	945,891	241,135	246,272
Loans				
– third parties	139,900	140,002	–	–
– allowance for doubtful receivables	(24,000)	(24,000)	–	–
	115,900	116,002	–	–
Prepayments	131,588	51,934	40,258	10,974
Prepaid listing expenses	418,750	–	418,750	–
Amounts due from subsidiaries				
– trade	–	–	866,034	413,551
– non-trade	–	–	423,288	899,580
– loan	–	–	205,000	1,325,000
– allowance for doubtful receivables	–	–	(1,153,173)	(1,153,173)
	–	–	341,149	1,484,958
	2,375,469	1,296,875	1,164,461	1,837,076

Notes to The Financial Statements

For the Financial Year Ended 31 December 2006

8. Trade and other receivables (Continued)

Trade and other receivables are non-interest bearing and generally on 30 days' terms.

The amounts due from subsidiaries are unsecured, interest-free and repayable on demand.

Allowances for doubtful trade receivables of $Nil (2005: $34,302) and $Nil (2005: $9,245) of the Group and of the Company respectively were recognised in the income statement subsequent to a debt recovery assessment performed on trade receivables.

Loans to third parties are unsecured, interest-free and repayable on demand. An allowance for doubtful loan receivables of $Nil (2005: $24,000) was recognised in the income statement subsequent to a debt recovery assessment performed on the third party.

Allowance for doubtful receivables from subsidiaries of $Nil (2005: $1,153,173) was recognised in the income statement subsequent to a debt recovery assessment performed on subsidiaries.

The Group and the Company have recognised prepaid listing expenses of $418,750 (2005: $Nil), of which $113,750 (2005: $Nil) paid/payable to the auditors of the Company for the services rendered as Reporting Auditors, as at the balance sheet date in respect of the initial public offering and its expected admission to the Official List of the Singapore Exchange Securities Trading Limited Dealing and Automated Quotation System ("SGX-SESDAQ) subsequent to the balance sheet date. The prepaid listing expenses will be offset against proceeds from the issuance of new shares upon its successful initial public offering.

Trade and other receivables are denominated in Singapore Dollar.

9. Cash and cash equivalents

	Group		Company	
	2006	2005	2006	2005
	$	$	$	$
Fixed deposit with a bank	–	1,005,480	–	–
Cash and bank balances	3,671,746	2,510,229	1,608,148	1,352,537
Cash and cash equivalents as per balance sheets	3,671,746	3,515,709	1,608,148	1,352,537
Fixed deposit pledged	–	(1,005,480)		
Cash and cash equivalent as per consolidated cash flow statement	3,671,746	2,510,229		

In the previous financial year, the Group had pledged its fixed deposits amounting to $1,005,480 as security for banking facilities granted to a subsidiary of the Group amounting to Euro 7,500,000 as set out in Note 13 to the financial statements.

Fixed deposits are placed for tenures of 30 days (2005: 30 days) and the effective interest rate on the fixed deposits is approximately 2.65% (2005: 2.65%) per annum.

9. Cash and cash equivalents (Continued)

Cash and cash equivalents are denominated in the following currencies:

	Group		Company	
	2006	2005	2006	2005
	$	$	$	$
Singapore Dollar	3,671,746	3,515,671	1,608,148	1,352,537
Australian Dollar	–	38	–	–
	3,671,746	3,515,709	1,608,148	1,352,537

10. Trade and other payables

	Group		Company	
	2006	2005	2006	2005
	$	$	$	$
Trade payables	813,902	605,413	146,382	198,987
Other payables	618,688	233,820	280,742	76,582
Deferred income	6,000	44,810	6,000	44,810
Accrued operating expenses	1,010,614	756,519	182,214	327,336
Unutilised annual leave	88,012	81,261	20,596	19,996
Amounts due to shareholders	–	1,000,002	–	1,000,002
Amounts due to subsidiaries				
– trade	–	–	–	(1,273,538)
– non-trade	–	–	–	570,029
– loan	–	–	829,117	2,230,000
	–	–	829,117	1,526,491
	2,537,216	2,721,825	1,465,051	3,194,204

Trade and other payables are non-interest bearing and generally on 30 days' terms.

Deferred income represents the unexpired portion of revenue from unutilised redeemable vouchers.

The amounts due to shareholders and subsidiaries are unsecured, interest-free and repayable on demand.

Trade and other payables are denominated in Singapore Dollar.

Notes to The Financial Statements

For the Financial Year Ended 31 December 2006

11. Finance lease payables

Group	Minimum lease payments	Future finance charges	Present value of minimum lease payments
	$	$	$
2006			
Not later than one year	30,101	(3,535)	26,566
Later than one year but not later than five years	56,806	(11,437)	45,369
Later than five years	27,300	(6,300)	21,000
	84,106	(17,737)	66,369
	114,207	(21,272)	92,935
Company			
2006			
Not later than one year	8,556	(1,412)	7,144
Later than one year but not later than five years	25,606	(4,237)	21,369
	34,162	(5,649)	28,513
Group and Company			
2005			
Not later than one year	8,556	(1,412)	7,144
Later than one year but not laterthan five years	34,162	(5,650)	28,512
	42,718	(7,062)	35,656

The lease terms range from 2 years to 6 years.

The effective interest rates charged during the financial year ranged from between 5.75% to 6.15% (2005: 5.63% to 9.10%) per annum.

Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The fair value of the Group's and the Company's lease obligations approximates their carrying amount.

The Group and the Company's obligations under finance leases are secured by the lessors' title to the leased assets, which will revert to the lessors in the event of default by the Group and the Company.

The finance lease payables are denominated in Singapore Dollar.

Notes to The Financial Statements

For the Financial Year Ended 31 December 2006

12. Provisions

Provision for dismantlement, removal or restoration is the estimated costs of dismantlement, removal or restoration of plant and equipment arising from the acquisition or use of assets, which are capitalised and included in the cost of plant and equipment.

Movements in the provisions were as follows:

	Group		Company	
	2006	2005	2006	2005
	$	$	$	$
Balance at beginning of financial year	164,983	–	48,560	–
Acquisition of subsidiary	39,489	–	–	–
Provision made during the financial year	25,922	164,983	–	48,560
Amortisation of discount	8,244	–	2,428	–
Balance at end of end of financial year	238,638	164,983	50,988	48,560

13. Borrowings from financial institutions

	Group	
	2006	2005
	$	$
Repayable within one financial year		
– non-revolving working capital loan	8,850	–

The non-revolving working capital loan from a financial institution is supported by the personal guarantees of the Directors of a subsidiary who are also the minority shareholders of the Group.

The average effective interest rate on the non-revolving working capital loan is approximately 5.75% (2005: Nil) per annum during the financial year.

The non-revolving working capital loan is denominated in Singapore Dollar.

In the previous financial year, the Group fully settled its bank revolving term loan which was secured by a pledge on the fixed deposits with a bank amounting to $1,005,840. The average interest rate on the bank revolving term loan was approximately 1.1% per annum. The bank revolving term loan was denominated in Euro.

As at the balance sheet date, the Group has banking facilities as follows:

	Group	
	2006	2005
	$	$
Facilities granted	15,183,225	14,789,982
Facilities utilised	8,850	–

Notes to The Financial Statements

For the Financial Year Ended 31 December 2006

14. Deferred tax liabilities

	Group		Company	
	2006	2005	2006	2005
	$	$	$	$
Balance at beginning of the financial year	203,772	135,472	111,000	73,000
Transferred from/(to) income statement	16,538	68,300	(30,644)	38,000
Balance at end of the financial year	220,310	203,772	80,356	111,000

Recognised deferred tax liabilities are attributable to the following:

	Group		Company	
	2006	2005	2006	2005
	$	$	$	$
Plant and equipment	242,668	219,561	84,475	114,275
Unutilised annual leave	(17,603)	(16,254)	(4,119)	(4,000)
Others	(4,755)	465	–	725
	220,310	203,772	80,356	111,000

15. Share capital

	Group and Company	
	2006	2005
	$	$
Authorised		
300,000 ordinary shares of $1 each	300,000	300,000
Effect of Companies (Amendment) Act 2005	(300,000)	–
Nil (2005: 300,000 ordinary shares of $1 each)	–	300,000
Issued and fully-paid		
245,000 ordinary shares	245,000	245,000

The Companies (Amendment) Act 2005 came into effect on 30 January 2006. Among other things, the Act was amended to abolish the concepts of par value, authorised share capital, share premium, capital redemption reserve and share discounts. As a result of these amendments, as at the date of this report, the Company has an issued and paid-up share capital of $245,000 comprising 245,000 ordinary shares and no authorised share capital.

16. Revenue

Revenue represents the invoiced valued food and beverages, net of discounts and goods and services tax.

17. Other income

	Group	
	2006	2005
	$	$
Accreditation of negative goodwill	48,114	–
Bank interest income	950	496
Central kitchen income	20,000	–
Collaboration fee	135,368	386,224
Fixed deposit interest income	16,508	16,434
Foreign exchange gain	–	6,954
Government grant	5,000	–
Others	75,432	578
Royalty fee	27,989	9,010
	329,361	419,696

18. Employee benefits expenses

	Group	
	2006	2005
	$	$
Salaries, wages, and bonuses	6,227,558	5,898,798
Contributions to defined contribution plans	379,043	443,923
Employees' benefits	436,246	259,272
	7,042,847	6,601,993

These include the amounts shown as Directors' remuneration in Note 26 to the financial statements.

19. Finance costs

	Group	
	2006	2005
	$	$
Amortisation of discount on provision	8,244	–
Borrowings interest	94	3,215
Finance leases interest	1,859	1,885
	10,197	5,100

Notes to The Financial Statements

For the Financial Year Ended 31 December 2006

20. Profit before income tax

The above is arrived at:

	Group	
	2006	2005
	$	$
After charging:		
Other expenses		
Bad non-trade receivables written off	527	1,590
Cleaning materials	506,071	522,842
Loss on disposal of plant and equipment	7,896	32,330
Non-audit fees paid to the auditors of the Company	12,938	12,450
Operating lease expenses	3,483,230	3,298,763
Plant and equipment written off	24,114	189,711
Utilities	1,161,952	1,083,411

21. Income tax

	Group	
	2006	2005
	$	$
Current income tax		
– current financial year	545,398	407,075
– (over)/underprovision in prior years	(24,508)	8,256
	520,890	415,331
Deferred tax		
– current financial year	24,693	(10,159)
– (over)/underprovision in prior years	(8,155)	78,459
	16,538	68,300
Total income tax in consolidated income statement	537,428	483,631

Reconciliation of effective tax rate

	Group	
	2006	2005
	$	$
Profit before income tax	2,857,586	1,855,521
Income tax at statutory tax rate of 20%	571,517	371,104
Expenses non-deductible for income tax purposes	59,521	60,045
Income not subject to income tax	(9,623)	(1,390)
Exempt income	(54,017)	(32,650)
(Over)/Underprovision in prior years	(32,663)	86,715
Others	2,693	(193)
	537,428	483,631

22. Earnings per share

The calculation for basic earnings per share for the financial year is based on the profit attributable to equity holders of the Company for the financial year by the actual number of ordinary shares in issue during the financial year.

Earnings per share based on Pre-Invitation share capital calculated based on the profit attributable to equity holders of the Company for the financial year on the assumption that Pre-Invitation share capital of 73,500,000 ordinary shares are in issue during the financial year is as follows:

	2006	2005
Earnings per share (cents)		
Basic	3.00	1.87
Diluted	3.00	1.87

The Group does not have any dilutive options for the financial year.

23. Dividends

	Group and Company	
	2006	2005
	$	$
Interim tax exempt dividends paid of approximately $4.08 (2005: $6.12) per share in respect of the current financial year	1,000,000	1,500,000

The Directors of Company do not recommend any final dividend be paid in respect of current financial year.

24. Operating lease commitments

The Group and the Company as the lessee

As at balance sheet date, there were operating lease commitments for equipment and rental of premises payable in subsequent accounting periods as follows:

	Group		Company	
	2006	2005	2006	2005
	$	$	$	$
Not later than one year	3,985,089	2,328,694	759,946	271,391
Later than one year but not later than five years	5,052,505	1,621,297	960,293	39,806
	9,037,594	3,949,991	1,720,239	311,197

The above lease agreements expire from 31 December 2006 to 12 November 2009. The current rents payable under the leases of equipment and premises are subject to revision after expiry. The above commitments were based on prevailing rental rates for the current financial year. Some of the operating leases of premises provide for contingent rentals based on percentage of sales derived from the rented premises.

Notes to The Financial Statements

For the Financial Year Ended 31 December 2006

25. Contingent liabilities, unsecured

The Company has undertaken to provide continued financial support to three of its subsidiaries namely Soup Restaurant Investments Pte. Ltd., Soup Restaurant (Seah Street) Pte Ltd and Soup Restaurant (SC) Pte Ltd, which have accumulated losses of $84,598 (2005: $91,146), $307,085 (2005: $254,367) and $515,220 (2005: $642,552) respectively in excess of the issued and paid-up share capital of the respective subsidiaries as at 31 December 2006 to enable them to continue to operate as a going concern and to meet their obligations as and when they fall due.

In the opinion of the Directors, no losses were expected to arise.

26. Significant related party transactions

For the purpose of these financial statements, parties are considered to be related to the Group or the Company if the Group or the Company have the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

In addition to the information disclosed elsewhere in the financial statements, the following are significant related party transactions at rates and terms agreed between the parties:

	Group		Company	
	2006	2005	2006	2005
	$	$	$	$
Loan to subsidiaries from the Company	–	–	1,500,000	2,450,000
Loan from subsidiaries to the Company	–	–	2,955,000	2,275,000
Receipts on behalf of subsidiaries by the Company	–	–	–	33,891
Receipts on behalf of the Company by the subsidiaries	–	–	42,109	272,086
Settlement of liabilities on behalf of the Company by the subsidiaries	–	–	348,928	203,122
Settlement of liabilities on behalf of subsidiaries by the Company	–	–	329,929	230,825
Others	–	–	29,270	–
Royalty fees from the subsidiaries received by the Company	–	–	334,121	317,773
Sales of foodstuff to the subsidiaries by the Company	–	–	978,577	864,695
Accountancy fees charged to subsidiary	–	–	11,200	–
Central kitchen fees charged to subsidiary	–	–	2,600	–
Loan from shareholders	–	1,000,002	–	1,000,002

26. Significant related party transactions (Continued)

Compensation of key management personnel

The remuneration of key management personnel of the Group and of the Company during the financial year are as follows:

	Group		Company	
	2006	2005	2006	2005
	$	$	$	$
Short-term benefits	1,051,833	591,360	248,391	126,285
Post-employment benefits	102,337	71,064	24,179	15,023
	1,154,170	662,424	272,570	141,308

The above includes the following remuneration to the Directors of the Company and of a subsidiary:

	Group		Company	
	2006	2005	2006	2005
	$	$	$	$
Directors of the Company				
Directors' fee	20,000	–	20,000	–
Short-term benefits	661,371	591,360	180,771	126,285
Post-employment benefits	65,907	71,064	17,986	15,023
	747,278	662,424	218,757	141,308
Directors of a subsidiary				
Directors' fee	37,250	–	–	–
Short-term benefits	75,900	–	–	–
Post-employment benefits	2,356	–	–	–
	115,506	–	–	–
	862,784	662,424	218,757	141,308

27. Segment information

The Group has only one primary business segment, which is that of restaurant operations. All the Group's sales and assets are in Singapore. Accordingly, no business and geographical segment information is presented.

Notes to The Financial Statements

For the Financial Year Ended 31 December 2006

28. Events after the balance sheet date

(a) At extraordinary general meetings held on 23 March 2007 and 24 April 2007, the shareholders approved, inter alia, the following:

(i) the capitalisation of $490,000 out of the accumulated profits by way of a bonus issue of 490,000 ordinary shares fully paid to the shareholders of the Company (the "Bonus Issue");

(ii) the sub-division of the issued ordinary share of 735,000 ordinary shares with the issued and paid-up capital of $735,000 in the capital of the Company be sub-divided into 73,500,000 ordinary shares on the basis from one ordinary share into 100 ordinary shares (the "Share Split");

(iii) the conversion of the Company into a public limited company and the change of the Company's name to Soup Restaurant Group Limited;

(iv) the adoption of a new set of Articles of Association;

(v) the issue of 26,000,000 ordinary shares ("New Shares") which is the subject of the invitation on the basis that the New Shares, when allotted, issued and fully paid, will rank pari passu in all respects with the existing ordinary shares;

(vi) the authorisation of the Directors, pursuant to Section 161 of the Companies Act, to

(i) issue ordinary shares whether by way of rights, bonus or otherwise (including ordinary shares as may be issued pursuant to any Instrument (as defined below) made or granted by the Directors while the resolution is in force notwithstanding that the authority conferred by the resolution may have ceased to be in force at the time of issue of such ordinary shares), and/or

(ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require ordinary shares to be issued, including but not limited to the creation and issue of warrants, debentures or other instruments convertible into ordinary shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit provided that the aggregate number of ordinary shares issued pursuant to such authority (including ordinary shares issued pursuant to any Instrument but excluding ordinary shares which may be issued pursuant to any adjustments ("Adjustments") effected under any relevant Instrument, which Adjustment shall be made in compliance with the provisions of the Listing Manual for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles of Association for the time being of the Company), shall not exceed 50 per cent of the issued share capital of the Company immediately after the invitation, and provided that the aggregate number of such ordinary shares to be issued other than on a pro rata basis in pursuance to such authority (including ordinary shares issued pursuant to any Instrument but excluding ordinary shares which may be issued pursuant to any Adjustment effected under any relevant Instrument) to the existing shareholders shall not exceed 20 per cent of the issued share capital of the Company immediately after the invitation, and unless revoked or varied by the Company in general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.

28. Events after the balance sheet date (Continued)

(b) On 28 May 2007, the Company was admitted to the official list of the Singapore Exchange Securities Trading Limited Dealing and Automated Quotation System ("SGX-SESDAQ").

29. Financial risk management

The Group and the Company are exposed to financial risk arising from the normal course of business. The Group and the Company do not hold or issue derivative financial instruments for trading purposes or to hedge against fluctuations, if any, in interest and foreign exchange rates.

(a) Credit risk

The Group and the Company have a credit policy in place and the exposure to credit risk is monitored on an on going basis. The maximum exposure to credit risk is represented by the carrying amounts of each financial asset on the balance sheets.

The Group has no significant concentration of credit risk, except for the convertible loans, due to the nature of its business.

The Company has no significant concentration of credit risk except for amounts due from subsidiaries.

(b) Interest rate risk

The Group's and the Company's exposure to market risk for changes in interest rates relate primarily to non-revolving working capital loan and finance lease obligations with financial institutions.

(c) Foreign currency risk

The Group and the Company incur foreign currency risk on transactions and balances that are denominated in currency other than Singapore Dollar. The currency giving rise to this risk is primarily Australian Dollar and Euro.

(d) Liquidity risk

The Group and the Company actively manage their operating cash flows so as to finance the Group's and the Company's operations. As part of its overall prudent liquidity management, the Group and the Company maintain sufficient level of cash to meet its working capital requirements.

(e) Fair values

The carrying amounts of all the financial assets and liabilities in the financial statements approximate their fair value, except for available-for-sale financial assets. For available-for-sale financial assets, it is not practicable to determine the fair values because of the lack of quoted market prices and the assumptions used in valuation models to value the available-for-sale financial assets and the fair value cannot be reasonably determined.

Statistics of Shareholdings

As at 28 May 2007

Number of equity securities	:	99,500,000
Issued and paid-up share capital	:	S$6,195,000
Class of equity securities	:	Ordinary shares
Voting rights	:	One vote per share

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS			NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1	–	999	0	0.00	0	0.00
1,000	–	10,000	540	59.80	2,356,000	2.37
10,001	–	1,000,000	356	39.42	16,117,500	16.20
1,000,001	AND	ABOVE	7	0.78	81,026,500	81.43
TOTAL			903	100.00	99,500,000	100.00

TWENTY LARGEST SHAREHOLDERS

	NAME	NO. OF SHARES	%
1	MOK YIP PENG	19,252,200	19.35
2	WONG WEI TECK	14,184,300	14.26
3	WONG CHI KEONG	13,494,600	13.56
4	PANG CHENG JIN @ CEN YOU HAO	11,245,500	11.30
5	THEN KHEK KOON	11,172,000	11.23
6	WESTCOMB SECURITIES PTE LTD	7,600,000	7.64
7	HO HONG CHIN	4,077,900	4.10
8	CHYE MON MOOI	900,000	0.90
9	TAY LEE CHYE LESTER (ZHENG LICAI LESTER)	900,000	0.90
10	MAYBAN NOMINEES (S) PTE LTD	600,000	0.60
11	ANG POH SENG (HONG BAOCHENG)	200,000	0.20
12	CHAI MING HUI (CAI MINGHUI)	200,000	0.20
13	KOH MEOW CHIN	200,000	0.20
14	LIM BEE TIEN	200,000	0.20
15	NG SELROL	200,000	0.20
16	NG TIOW SWEE @ NG TIOW KEE	200,000	0.20
17	SIOW NGET YUEN	200,000	0.20
18	TAN CHO HWEE	200,000	0.20
19	TAN QUAN KAI ALEX (CHEN QUANKAI ALEX)	200,000	0.20
20	TAY WEI JIA THERECIA (ZHENG WEIJIA THERECIA)	200,000	0.20
	TOTAL	85,426,500	85.84

Statistics of Shareholdings

As at 28 May 2007

SUBSTANTIAL SHAREHOLDERS
(As recorded in the Register of Substantial Shareholders)

	Direct Interest	%	Deemed Interest	%
Mok Yip Peng	19,252,200	19.35	–	–
Wong Wei Teck	14,184,300	14.26	–	–
Wong Chi Keong	13,494,600	13.56	–	–
Pang Cheng Jin @ Cen You Hao	11,245,500	11.30	–	–
Then Khek Koon	11,172,000	11.23	–	–
Westcomb Securities Pte Ltd	7,600,000	7.64	–	–

Public Float

Based on the information available to the Company as at 28 May 2007, approximately 22.02% of the issued shares of the Company is held by the public and therefore, Rule 723 of the Listing Manual issued by the Singapore Exchange Securities Trading Limited is complied with.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Soup Restaurant Group Limited ("the Company") will be held at Copthorne Orchid Hotel, 214 Dunearn Road, Aerides 1, Level 1, Singapore 299526 on Thursday, 28 June 2007 at 9.00 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and the Audited Accounts of the Company for the year ended 31 December 2006 together with the Auditors' Report thereon. **(Resolution 1)**

2. To re-elect the following Directors retiring pursuant to Articles 107 and 117 of the Company's Articles of Association:

Mr Then Khek Koon	(Retiring under Article 107)	**(Resolution 2)**
Professor Cham Tao Soon	(Retiring under Article 117)	**(Resolution 3)**
Mr Chua Koh Ming	(Retiring under Article 117)	**(Resolution 4)**
Mr Saw Meng Tee	(Retiring under Article 117)	**(Resolution 5)**
Mr Jong Voon Hoo	(Retiring under Article 117)	**(Resolution 6)**

Mr Then Khek Koon will, upon re-election as a Director of the Company, remain a Non-Executive Director.

Professor Cham Tao Soon will, upon re-election as a Director of the Company, remain Chairman of Audit Committee and a member of Nominating and Remuneration Committees and will be considered independent.

Mr Chua Koh Ming will, upon re-election as a Director of the Company, remain Chairman of Nominating Committee and a member of Audit and Remuneration Committees and will be considered independent.

Mr Saw Meng Tee will, upon re-election as a Director of the Company, remain Chairman of Remuneration Committee and a member of Audit and Nominating Committees and will be considered independent.

Mr Jong Voon Hoo will, upon re-election as a Director of the Company, remain a member of Audit, Nominating and Remuneration Committees and will be considered independent.

3. To re-appoint BDO Raffles as the Company's Auditors and to authorise the Directors to fix their remuneration. **(Resolution 7)**

4. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolution as an Ordinary Resolution, with or without any modifications:

5. Authority to issue shares up to 50 per centum (50%) of the issued shares in the capital of the Company

   That pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited, the Directors be authorised and empowered to:

   (a) (i) issue shares in the Company ("shares") whether by way of rights, bonus or otherwise; and/or

Notice of Annual General Meeting

(ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

(b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force,

provided that:

(1) the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) and Instruments to be issued pursuant to this Resolution shall not exceed fifty per centum (50%) of the issued shares in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares and Instruments to be issued other than on a pro rata basis to existing shareholders of the Company shall not exceed twenty per centum (20%) of the issued shares in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such calculation as may be prescribed by the Singapore Exchange Securities Trading Limited) for the purpose of determining the aggregate number of shares and Instruments that may be issued under sub-paragraph (1) above, the percentage of issued shares and Instruments shall be based on the number of issued shares in the capital of the Company at the time of the passing of this Resolution, after adjusting for any subsequent consolidation or subdivision of shares;

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the Singapore Exchange Securities Trading Limited for the time being in force (unless such compliance has been waived by the Singapore Exchange Securities Trading Limited) and the Articles of Association of the Company; and

(4) unless revoked or varied by the Company in a general meeting, such authority shall continue in force (i) until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier or (ii) in the case of shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution, until the issuance of such shares in accordance with the terms of the Instruments. **(Resolution 8)**
[See Explanatory Note (i)]

By Order of the Board

Toh Yen Sang
Secretary
Singapore, 13 June 2007

Notice of Annual General Meeting

Explanatory Notes:

(i) The Ordinary Resolution [8] in item [5] above, if passed, will empower the Directors from the date of this Meeting until the date of the next Annual General Meeting, or the date by which the next Annual General Meeting is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant instruments convertible into shares and to issue shares pursuant to such instruments, up to a number not exceeding, in total, 50% of the issued shares in the capital of the Company, of which up to 20% may be issued other than on a pro-rata basis to existing shareholders.

For determining the aggregate number of shares that may be issued, the percentage of issued shares in the capital of the Company will be calculated based on the issued shares in the capital of the Company at the time this Ordinary Resolution is passed after adjusting for new shares arising from any subsequent consolidation or subdivision of shares, if any.

Notes:

1. A Member entitled to attend and vote at the Annual General Meeting (the “Meeting”) is entitled to appoint a proxy to attend and vote in his/her stead. A proxy need not be a Member of the Company.

2. The instrument appointing a proxy must be deposited at the Registered Office of the Company at 171 Kampong Ampat #03-11 KA FoodLink Singapore 368330 not less than forty-eight (48) hours before the time appointed for holding the Meeting.

SOUP RESTAURANT GROUP LIMITED

Company Registration No. 199103597Z
(Incorporated In The Republic of Singapore)

IMPORTANT	
1.	For investors who have used their CPF monies to buy Soup Restaurant Group Limited's shares, this Report is forwarded to them at the request of the CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2.	This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3.	CPF investors who wish to attend the Meeting as an observer must submit their requests through their CPF Approved Nominees within the time frame specified. If they also wish to vote, they must submit their voting instructions to the CPF Approved Nominees within the time frame specified to enable them to vote on their behalf.

PROXY FORM

(Please see notes overleaf before completing this Form)

I/We, ____

of ____

being a member/members of Soup Restaurant Group Limited (the "Company"), hereby appoint:

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

and/or (delete as appropriate)

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing the person, or either or both of the persons, referred to above, the Chairman of the Meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the Annual General Meeting (the "Meeting") of the Company to be held on 28 June 2007 at 9.00 a.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her discretion. The authority herein includes the right to demand or to join in demanding a poll and to vote on a poll.

(Please indicate your vote "For" or "Against" with a tick [√] within the box provided.)

No.	Resolutions relating to:	For	Against
1	Directors' Report and Audited Accounts for the year ended 31 December 2006		
2	Re-election of Mr Then Khek Koon as a Director		
3	Re-election of Professor Cham Tao Soon as a Director		
4	Re-election of Mr Chua Koh Ming as a Director		
5	Re-election of Mr Saw Meng Tee as a Director		
6	Re-election of Mr Jong Voon Hoo as a Director		
7	Re-appointment of BDO Raffles as Auditors		
8	Authority to allot and issue new shares		

Dated this ________ day ______________ of 2007

Total number of Shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	

____

Signature of Shareholder(s)
or, Common Seal of Corporate Shareholder

***Delete where inapplicable**

Notes :

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.

2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.

3. Where a member appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.

4. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.

5. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 171 Kampong Ampat #03-11 KA FoodLink Singapore 368330 not less than 48 hours before the time appointed for the Meeting.

6. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.

7. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

Our Restaurants

Soup Restaurant

Seah Street
39 Seah Street

Causeway Point
1 Woodlands Square
#03-01 Causeway Point

Jurong Point
1 Jurong West Central 2
#02-33 Jurong Point Shopping Centre

Suntec City
3 Temasek Boulevard
#B1-059 Suntec City Mall

United Square
101 Thomson Road
#B1-10 United Square

Compass Point
1 Sengkang Square
#03-16/17 Compass Point Shopping Centre

Scottswalk
25 Scotts Road
#02-01 DFS Scottswalk

Paragon
290 Orchard Road
#B1-44 Paragon

Changi Airport Terminal 2
Singapore Changi Airport Terminal 2
#036-086 Viewing Mall North

Century Square
2 Tampines Central 5
#B1-01/12/13 Century Square Shopping Centre

Hougang Mall
90 Hougang Avenue 10
#02-21 Hougang Mall

Centrepoint
176 Orchard Road
#B2-110/111/112/113 The Centrepoint

AMK Hub
53 Ang Mo Kio Avenue 3
#B2-01/02 AMK Hub

Dian Xiao Er

Hougang Mall (Foodstall)
90 Hougang Mall Avenue 10
#05-06 Hougang Mall

Marina Square
6 Raffles Boulevard
#02-203/4 Marina Square

VivoCity
1 Habourfront Walk
#02-138 VivoCity

AMK Hub
53 Ang Mo Kio Avenue 3
#B2-01/02 AMK Hub

Causeway Point
1 Woodlands Square,
#03-02 Causeway Point Shopping Centre

三盅兩件
SOUP RESTAURANT

Head Office and Food Processing Facility
171 Kampong Ampat
#03-11 KA FoodLink
Singapore 368330