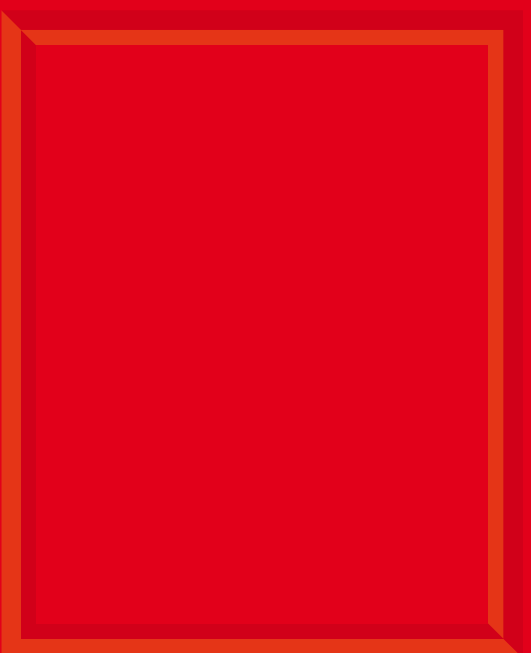
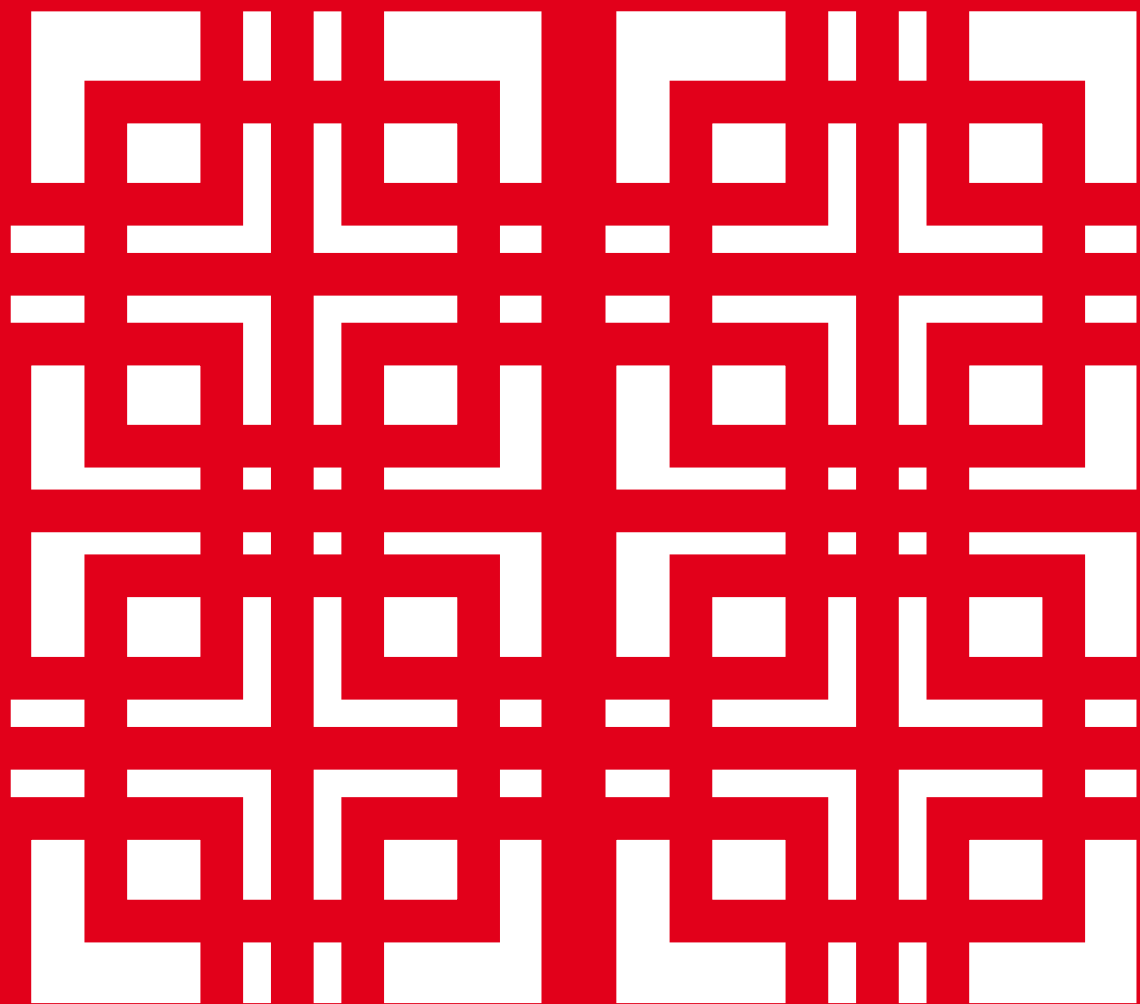




Soup Restaurant Group Limited

Annual Report 2007







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Corporate Profile

Established in 1991 and listed on SGX-Catalist (formerly known as SGX-SESDAQ) in May 2007, Soup Restaurant Group Limited is a home-grown chain of restaurants under the name and style of “Soup Restaurant”. The first “Soup Restaurant” outlet which commenced operations in 1991, was conceptualised as a niche restaurant focusing mainly on herbal soups and home-cooked dishes served at reasonable prices.

Today, the Group has expanded into 18 outlets island-wide under two major brand names:

Soup Restaurant

Group of restaurants, which serves traditional, home-cooked “Chinatown Heritage Cuisine”

Dian Xiao Er

Group of restaurants, which specialises in serving herbal roasted ducks and Chinese cuisines.



Our Footprint



Soup Restaurant

- AMK Hub
- Causeway Point
- Century Square
- Changi Airport T2
- Compass Point
- Hougang Mall
- Jurong Point
- Paragon
- Scottswalk
- Seah Street
- Suntec City
- The Centrepoint
- United Square



Dian Xiao Er

- AMK Hub
- Causeway Point
- Marina Square
- VivoCity
- Changi Airport T3



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.



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 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.



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 five outlets, making the delectable cuisine accessible to all.



The History & Culture of Duck Roasting

The history of duck roasting can be traced back to as early as the Yuan Dynasty when it was listed among the imperial dishes. It gained widespread acclaim as a prized delicacy during the Ming and Qing dynasties. Emperor Qian Long and Dowager CiXi have always enjoyed a vast variety of roasted duck. The premier Zhou En Lai, a great fan of roasted duck, never failed to introduce this delicacy to his foreign counterparts. Till today, this delicacy has won praises from former US president Bill Clinton and the Bush presidential family during their visits to China.

The Origin of Herbal Roasted Duck

The applications of Chinese Herbs have evolved over thousands of years. In fact, it has become a distinctive culture heritage of the Chinese. It was said that combining herbs with roasted duck was the brainchild of a Xiao Er (Waiter) in a roasted duck restaurant. It started out as an attempt to help his bedridden master on the route to recovery. After a few feeding sessions, the master showed remarkable improvements in his condition, making a speedy recovery and even emerged stronger than before. From then on, Herbal Roasted Duck became the specialty of the restaurant.

Corporate Information

BOARD OF DIRECTORS

Chairman

Mok Yip Peng

*(Executive Chairman and
Managing Director)*

Members

Wong Wei Teck

(Executive Director)

Then Khok 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

SHARE REGISTRAR

Boardroom Corporate &

Advisory Services 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

Lee Joo Hai (Partner-in-charge)

(Appointed since financial year ended 31

December 2007)

INTERNAL AUDITORS

Horwath First Trust

Certified Public Accountants

7 Temasek Boulevard

#11-01 Suntec Tower One

Singapore 038987

REGISTERED OFFICE

171 Kampong Ampat

#03-11 KA FoodLink

Singapore 368330

Tel: 6222 4668

Fax: 6222 4667

Email: email@souprestaurant.com.sg

Website: www.souprestaurant.com.sg



Quality

Every ingredient matters to make every detail perfect. Feels just like home, a hearty and healthy meal to share with good company and loved ones.





On behalf of the Board of Directors, I am pleased to present this annual report of the Group and the Company for the financial year ended 31 December 2007 ("FY2007").



Chairman's Message



Dear Shareholders,

FY2007 marked a very significant year in our corporate history. The Company was admitted to the official list of the Singapore Exchange Securities Trading Limited Dealing and Automated Quotation System (“SGX-SESDAQ”), now known as SGX-Catalist, on 28 May 2007, after the successful launch of our initial public offering (“IPO”) of 26 million shares at 21 cents each.

Operating and Financial Performance

We achieved record performance for FY2007 as Group revenue and profit after income tax surged S\$12.1 million or 55.2% and S\$1.6 million or 69.5% respectively to S\$34.0 million and S\$3.9 million, driven by organic growth, the acquisition of a majority stake in “Dian Xiao Er” chain of restaurants and the robust economic conditions in Singapore. We also registered a healthy net increase in cash and cash equivalents of S\$7.8 million in which S\$4.1 million came from the net proceeds from IPO. As of 31 December 2007, the cash and cash equivalents of the Group was S\$11.5 million.

The acquisition of “Dian Xiao Er” chain of restaurants through the purchase of 50.98% equity interests in Y.E.S F & B Group Pte. Ltd. in November 2006 began to yield positive results as the newly acquired brand concept delivered a strong maiden full year contribution.

We opened a “Soup Restaurant” and “Dian Xiao Er” outlet during the year in the new AMK Hub, as a part of our growth strategy by extending our presence in the food and beverage industry. “Dian Xiao Er” chain of restaurants offers a separate menu and its independence complements rather than compete directly with “Soup Restaurant” chain of restaurants.

Taking stock of our business, we also ceased operations of our under-performing “Soup Restaurant” outlet in Chinatown and converted our “Kampong Days” outlet at Causeway Point Shopping Centre to a “Dian Xiao Er” outlet in May 2007.

We are honoured to be the first Chinese restaurant chain in Singapore that was awarded the Workforce Skills Qualification (WSQ) Training Excellence Award in October 2007. This is a testament to our commitment to our customers in providing excellent service and to our employees in providing quality in-house training.

Furthermore, we are pleased to share that our new brand, “Dian Xiao Er”, is one of the proud winners of the Singapore Prestige Brand Award 07 which had shown excellent branding strategy and performance.

Chairman's Message

Dividends

In view of the above, a first and final tax-exempt (one-tier) dividend of 1 cent per share has been recommended by the Board of Directors for approval at the forthcoming Annual General Meeting. The dividend represents a payout ratio of approximately 30.8% of the Group's net profit in FY2007.

Outlook

The excellent performance in FY2007 leaves us on track to meet our target of earnings growth for the year ahead. Although Singapore economy may see its growth slow a little, there is still a significant momentum in the local economy that should see income grow and consumption expenditure rise. We expect the prospects of the local food and beverage industry to remain positive with the growing economy.

We will continue to take proactive measures to expand our business by exploring and possibly expanding into new emerging markets. We will also make great efforts to strengthen our presence in key existing markets through establishment of new outlets and introduction of new products into the markets. In this regard, we intend to continue our expansion plans in Singapore by opening at least two outlets this year when suitable locations are available. We are also currently doing research and development of ready-to-eat Chinese soup products which we can target at local as well as overseas markets.

Strong competition, rising costs and higher rental rates for our outlets are the key challenges facing us this year. To mitigate the effects of these challenges, we will accelerate the refurbishment and upgrading of the existing outlets, facility and equipment to improve operational efficiency and introduce new dishes to stay ahead of our competitors. We will also continue our efforts to explore the possibility to import certain raw materials to reduce the cost of sales.

Appreciation

The strong performance in FY2007 could not have been achieved without the people who work for the Group. On behalf of the Board of Directors, I would like to take this opportunity to thank them for their contribution, commitment and dedication that has enabled us to deliver these excellent results. Our sincere appreciation also goes to our suppliers and customers for their strong support over the years. Last but not least, I would like to thank our shareholders for their support and confidence in us.

Mok Yip Peng
Chairman

Fragrant

Scent of soups and dishes prepared with care wafts through the air. Indulge and enjoy; vitalise your mind and nourish your body.





Group revenue increased by S\$12.1 million or 55.2% from S\$21.9 million for the financial year ended 31 December 2006 ("FY2006") to S\$34.0 million for FY2007.



Business Review



Revenue and Profitability

The strong growth in revenue was mainly due to the maiden full year contribution of S\$10.1 million by the “Dian Xiao Er” chain of restaurants, which in the previous year saw only S\$1.2 million of revenue contribution for a two-month period. The Group had also strategically converted its only “Kampong Days” outlet at Causeway Point Shopping Centre to a “Dian Xiao Er” outlet in May 2007 to capitalise on the popularity of this new brand. Revenue from “Dian Xiao Er” outlets accounted for 29.7% of Group revenue in FY2007, compared to only 5.5% in FY2006.

Group revenue was further boosted by positive contribution from the three new “Soup Restaurant” outlets which commenced operations from the second half of FY2006 and early FY2007. Besides contributions from these new outlets, revenue from the existing outlets also increased by more than 5.0%. As part of its ongoing outlet rationalisation, the Group ceased operation of its under-performing “Soup Restaurant” outlet in Chinatown during the year. As a result, revenue from “Soup Restaurant” outlets grew by 15.5% overall to S\$23.9 million, making up a total of 70.3% of the Group’s revenue.

Purchases and other consumables, employee benefits expenses, depreciation of plant and equipment and other expenses increased by S\$10.4 million or 54.0% from S\$19.4 million in FY2006 to S\$29.8 million in FY2007, which were in tandem with the growth in revenue.

Purchases and other consumables increased by S\$2.8 million in FY2007 but remained the same in terms of percentage of revenue which was the result of the Group’s continued efforts to maintain the cost of raw materials. Expressed as a percentage of revenue, employee benefits expenses fell by 0.7 percentage points from 32.2% in FY2006 to 31.5% in FY2007, mainly due to the lower percentage incurred by Y.E.S F & B Group Pte. Ltd. Depreciation of plant and equipment rose by S\$0.4 million or 48.3% to S\$1.3 million in FY2007, in line with the addition of fixed assets acquired for the new outlets during the year. Other expenses increased by S\$3.6 million to S\$9.9 million in FY2007 as a result of higher rental costs, credit card commission, professional fees and continuing listing expenses.

Business Review



The Group achieved a record profit before income tax of S\$4.6 million for FY2007, an increase of S\$1.7 million or 60.0% from S\$2.9 million in FY2006. This was driven both by higher revenue and a wider profit margin as the Group succeeded in keeping costs in check, despite experiencing higher levels of business activity.

The Group's effective income tax rate fell to 14.0% in FY2007 from 18.8% in FY2006 due to deferred tax over-provided in the previous year. Group profit after income tax rose by 69.5% from S\$2.3 million in FY2006 to S\$3.9 million in FY2007.

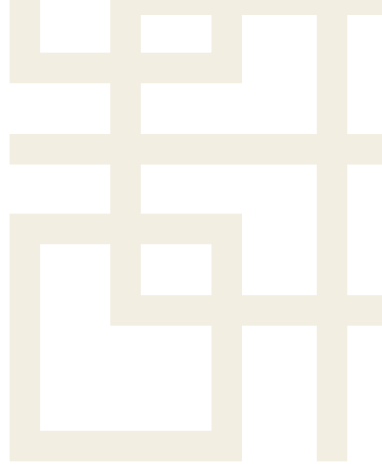
Financial and Cash Flow Position

Plant and equipment increased by S\$0.7 million from S\$2.6 million in FY2006 to S\$3.3 million mainly due to the additional fixed assets acquired upon the opening of new outlets as well as the refurbishment of two existing outlets in FY2007.

Trade and other receivables increased by S\$0.4 million from S\$2.4 million in FY2006 to S\$2.8 million in FY2007 as a result of the increase in rental deposits required for the leasing of the new outlets. Trade and other payables increased by S\$1.0 million from S\$2.5 million in FY2006 to S\$3.5 million in FY2007 mostly due to an increase in accrued operating expenses of S\$0.8 million.

The increase of S\$7.8 million in cash and cash equivalents from S\$3.7 million in FY2006 to S\$11.5 million as at year end of FY2007 included the net proceeds of S\$4.1 million from the successful listing of the Company's shares on SGX-Catalist, formerly known as SGX-SESDAQ, in May 2007. Net cash generated from operating activities amounted to S\$5.9 million in FY2007, which was an increase of S\$3.9 million from S\$2.0 million in FY2006.

Share capital increased by S\$4.5 million due to the bonus issue out of accumulated profits on the basis of two Bonus Shares for every one existing ordinary share in the capital of the Company held by the shareholders of the Company in March 2007 and the issue of 26 million new shares of S\$0.21 each in May 2007.



Taste

Reminiscent of flavours of tradition, passed down for generations. Served with a modern touch, there's something for everyone, be it young or old.



Corporate Structure



Financial Highlights

	FY2007 \$'000	FY2006 \$'000	FY2005 \$'000	FY2004 \$'000	FY2003 \$'000
Revenue and Profitability					
Revenue	33,985	21,893	19,963	16,847	13,481
Profit before income tax	4,571	2,858	1,856	1,061	1,322
Profit after income tax	3,932	2,320	1,372	839	1,026
Profit attributable to equity holders	3,226	2,208	1,372	839	1,026
Profit margin (%)	13.4	13.1	9.3	6.3	9.8
Earnings per share (cents)*	3.24	2.22	1.38	0.84	1.03
Financial Position					
Trade and other receivables	2,763	2,375	1,297	1,319	1,025
Trade and other payables	3,556	2,537	2,722	1,689	1,143
Total assets	17,564	8,672	6,911	6,340	4,321
Total liabilities	4,769	3,690	3,485	2,785	1,557
Equity attributable to equity holders	11,912	4,635	3,426	3,555	2,765
Net asset value (cents)*	11.97	4.66	3.44	3.57	2.78
Cash Flow Position					
Net cash flows from operating activities	5,953	2,008	3,689	1,402	1,485
Net cash flows used in investing activities	(1,965)	(688)	(87)	(1,607)	(1,117)
Net cash flows from / (used in) financing activities	3,823	(158)	(2,140)	(413)	(10)
Net change in cash and cash equivalents	7,811	1,162	1,462	(618)	358
Cash and cash equivalents at beginning of year	3,672	2,510	1,048	1,666	1,308
Cash and cash equivalents at end of year	11,483	3,672	2,510	1,048	1,666

* Based on Post-invitation shares of 99,500,000 ordinary shares.

Board of Directors

Mok Yip Peng *(Executive Chairman and Managing Director)*

Mr Mok, is one of the founders and has been with the 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 the Group. With 17 years of experience in the food and beverage industry, he was instrumental to the establishment, development and expansion of the Group's business. Prior to founding the Company, Mr Mok was involved in engineering consultancy and design review with Ove Arup & Partners and 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 the Group. Mr Mok holds a Bachelor in Civil Engineering from the National University of Singapore.

Wong Wei Teck *(Executive Director)*

Mr Wong, is also one of the founders of the Company. He has been a full time Executive Director since 2000 and has eight years of experience in the food and beverage industry. He is responsible for the corporate development and management of the Group, including management and reporting systems, human resource management, information technology infrastructures, contracts and cost control of the Group. Mr Wong was a civil engineer at LKN Ltd from 1981 to 1984. He then joined 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 is 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, was appointed as a Director on 18 April 2001. However, he resigned in December 2003 and was re-appointed as a 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 with Agip Petroli SpA in 1981. When he resigned from the company in 1997, his last position was Vice President. 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 the Company. He holds a Bachelor of Mechanical Engineering from the University of Singapore.

Professor Cham Tao Soon *(Lead Independent Director)*

Professor Cham Tao Soon, joined the Company 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, 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

Board of Directors

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 PhD from Cambridge University, UK. 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, joined the Company 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 Organisation 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, he has been providing his own consultancy services to the construction industry. Mr Chua 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, joined the Company in March 2007. He is also a member of the Audit, Nominating and Remuneration Committees. He began his career in 1996 in Arthur Andersen where he was involved in assurance and business advisory and transaction advisory services. During his tenure in Arthur Andersen, he was responsible for amongst others, performing operational and financial audits of public listed companies and multinational corporations in different industries, and developing and implementing plans to enhance efficiency and effectiveness of business and financial processes. He left his position as a manager of Arthur Andersen in 2002 to join Deloitte & Touche as audit manager. He is currently the chief financial officer of Youcan Foods International Limited and a member of ICPAS' CFO Committee. He is a Certified Public Accountant in Singapore and holds a Bachelor of Accountancy (Honours) from Nanyang Technological University.

Saw Meng Tee *(Independent Director)*

Mr Saw, joined the Company in March 2007. He is the Chairman of the Remuneration Committee and 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 operated 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 in 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 Executives

Victor Lee Ngai Meng *(Senior Manager, Operations)*

Mr Lee, 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 included menu planning, assigning staff duties and handling customers' complaints. He 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. Mr Lee holds a GCE 'O' level qualification.

Ng Eng Chyuan *(Senior Manager, Kitchen Management)*

Mr Ng, is responsible for the kitchen management of the Group. He has over 10 years of experience in operations, human resource and management in various service industries. Before joining the Group, he had been a food and beverage 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 Association Training and Education Centre and holds a Double Diploma in Enterprise Development by the International Professional Managers Association, UK. He obtained Certified 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 by the Restaurant Association of Singapore.

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

Mr Chan, is in charge of the overall operations and maintenance of the Food Processing Facility. He joined the Group in 2002 and has over 16 years of industry experience. He 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 Ltd from 1998 to 2001 and a catering/production chef in Quix Pte Ltd from 2001 to 2002. Mr Chan graduated from the Singapore Hotel Association Training and Education Centre in 1989 and was awarded, amongst others, the Certificate of Achievement for Food and Beverage Cost Control in 2005 organised by the Restaurant Association of Singapore.

Toh Yen Sang *(Senior Manager, Finance)*

Ms Toh, oversees the Group's accounts and is responsible for financial and management reporting and corporate secretarial duties as well as liaising with the Singapore Exchange Securities Trading Limited as the Company's authorised representative. She is also the Company Secretary of the Company and its six subsidiaries. Prior to joining the Group in 2003, she had been an accounts assistant and an accountant for various private and public listed companies including China Enersave Ltd (formerly known as EnerSave Holdings Limited). Ms Toh holds a Bachelor of Business Administration (Merit) from the National University of Singapore and 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, 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 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 describe the 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.

(A) BOARD MATTERS

Principle 1: The Board’s Conduct of Affairs

The primary functions of the Board include:

- (a) setting and approving the overall corporate policies, providing guidance and approving strategic plans and direction of the Group;
- (b) establishing and overseeing the framework of internal controls and risk management;
- (c) supervising and reviewing management performance; and
- (d) 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 the 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. Each of the Board Committees has its own terms of reference setting out the scope of its duties and responsibilities, the rules and regulations and procedures governing the manner in which it is to operate and how decisions are to be taken.

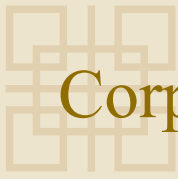
The Board is scheduled to meet at least twice a year, with additional meetings convened as and when there are matters requiring the Board’s decision at the relevant times. The scheduling of Board meetings in advance assists the Directors in planning for their attendance at these meetings.

The attendance of the Directors at Board and Committee meetings as well as the frequency of such meetings held during the financial year ended 31 December 2007 are disclosed below:

Name	Board		Audit Committee		Nominating Committee		Remuneration Committee	
	No. of meetings held	attended	No. of meetings held	attended	No. of meetings held	attended	No. of meetings held	attended
Mok Yip Peng	3	3	–	–	1	1	–	–
Wong Wei Teck	3	3	–	–	–	–	–	–
Then Khek Koon	3	3	–	–	–	–	–	–
Prof Cham Tao Soon	3	3	4	4	1	1	2	2
Chua Koh Ming	3	3	4	4	1	1	2	2
Jong Voon Hoo	3	3	4	4	1	1	2	2
Saw Meng Tee	3	3	4	4	1	1	2	2

Matters that require the Board’s approval are set out below:

- (a) Approval of half-yearly results announcements;
- (b) Approval of annual report and financial statements;
- (c) Declaration of interim dividends and proposal of final dividends;
- (d) Approval of corporate strategies;



Corporate Governance Report

- (e) Authorisation of major transactions, including but not limited to major investment or acquisition proposals; and
- (f) Convening of shareholders' meetings.

Newly appointed Directors are briefed by the Board to familiarise them with the Company's business and corporate governance practices. The Company encourages every newly appointed first-time directors to undergo appropriate training to familiarise themselves with the relevant laws and regulations in connection with the discharge of their duties. Directors are free to request sponsorship from the Company to attend courses to update their knowledge in a rapidly changing business and regulatory environment and to better equip themselves to discharge their duties as directors.

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 the Group, the 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.

The Board is satisfied that it comprises directors with a variety of skills, expertise and working experiences to provide core competencies such as accounting or finance, business or management experience, industry knowledge, strategic planning experience and customer based experience or knowledge.

The Board is of the opinion that, given the scope and nature of the Group's operations, the present size of the Board is appropriate in facilitating effective decision making.

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.

In view of Mok Yip Peng's concurrent appointment as the Executive Chairman and Managing Director, the Company has appointed Professor Cham Tao Soon as the Lead Independent Director, who is available to shareholders where they have concerns which contact through the normal channels of the Chairman and Managing Director has failed to resolve or for which such contact is inappropriate.

Corporate Governance Report



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 is responsible for:

- (a) making recommendations to the Board on the appointment of new executive and non-executive directors;
- (b) reviewing regularly the Board structure, size and composition;
- (c) reviewing, assessing and recommending nominee(s) or candidate(s) for appointment or election to the Board;
- (d) making plans for succession;
- (e) determining, on an annual basis, if a Director is independent;
- (f) making recommendations to the Board for the continuation or discontinuation in services of any Director who has reached the age of seventy years;
- (g) recommending Directors who are retiring by rotation to be put forward for re-election;
- (h) deciding whether or not a Director is able to and has been adequately carrying out his duties as a Director of the Company;
- (i) recommending to the Board internal guidelines to address the competing time commitments faced by Directors who serve on multiple boards; and
- (j) assessing the effectiveness of the Board as a whole and the contribution of each individual Director to the effectiveness of the Board.

All directors shall submit themselves for re-nomination and re-election annually. The Articles of Association of the Company provides that one third (or the number nearest to one third) of the directors are required to retire from office at each annual meeting. Further, all the directors are required to retire from office at least once in every three years. The Managing Director is not subject to retirement by rotation as the Group's success is dependent on his experience and skills.

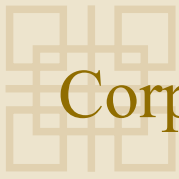
The Nominating Committee may consider a Director as independent if he has no relationship with the Company, its related companies or its officers that could interfere, or be reasonably perceived to interfere with his exercise of independent business judgement in carrying out his functions as a member of the Committee.

If the Nominating Committee determines that a director who has one or more of the relationships mentioned therein can be considered independent, the company should make such disclosure as stated in Guideline 2.2. Conversely, the Nominating Committee has the discretion to determine that a director is non independent even if he does not fall under the circumstances set forth in Guideline 2.1.

Every director shall on an annual basis, complete a return as to his independence. The Nominating Committee shall review the return to decide if he is to be considered independent.

The Nominating Committee takes into consideration whether a candidate has multiple directorships and whether these other directorships will constrain the candidate in setting aside sufficient time and attention to the Company's affairs.

Despite some of the Directors having other directorships, the Nominating Committee is satisfied that these Directors are able to and have adequately carried out their duties as Directors of the Company.



Corporate Governance Report

Principle 5: Board Performance

The Board has implemented a process to be carried out by the Nominating Committee for assessing the effectiveness of the Board as a whole. The Board is assessed collectively based on factors such as board composition, board information, board process, board accountability and standards of conduct.

The Board's performance is judged on the basis of accountability as a whole, rather than strict definitive financial performance criteria, as it would be difficult to apply specific financial performance criteria such as the Company's share price performance, to evaluate the Board.

Each member of the Nominating Committee shall abstain from voting any resolutions in respect of the re-nomination as director.

The Board considers the current evaluation of the Board's performance as adequate, having regard to the size and complexity of the Company's business.

Principle 6: Access to Information

All directors shall have unrestricted access to the Group's records and information and independent access to the Company Secretary, the senior management and other employees of the Company.

All directors will receive a regular supply of information from the management about the Group so as to enable them to carry out their duties. Detailed Board papers are prepared for each meeting of the Board which include sufficient information on the issues to be considered at Board meetings. Information provided include background or explanatory information relating to matters to be brought before the Board, copies of disclosure documents, budgets, forecasts and internal financial statements.

The Directors, either individually or as a group, shall have the right to seek independent professional advice, at the Company's expense, concerning any aspect of the Group's operations or undertaking in order to fulfill his role and responsibilities as a director.

(B) REMUNERATION MATTERS

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 the Company with the goal of building a capable and committed management team. The Remuneration Committee recommends to the Board a framework of remuneration for the Directors and key executives, and determines specific remuneration packages for each Executive Director.

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.

Principle 8: Level and Mix Remuneration

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

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

Corporate Governance Report



The Non-Executive and Independent Directors do not have any service agreements 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 each Annual General Meeting of the Company.

Principle 9: Disclosure on Remuneration

A breakdown, showing the level and mix of each Director's remuneration for the year ended 31 December 2007 is as follows:

Directors

Remuneration Band	Salary ⁽ⁱ⁾ %	Bonus %	Performance Bonus %	Directors' Fee ^{(ii) & (iii)} %	Total %
S\$250,000 and above					
Mok Yip Peng	65	6	29	–	100
Wong Wei Teck	67	6	25	2	100
Below S\$250,000					
Then Khek Koon	–	–	–	100	100
Prof Cham Tao Soon	–	–	–	100	100
Chua Koh Ming	–	–	–	100	100
Jong Voon Hoo	–	–	–	100	100
Saw Meng Tee	–	–	–	100	100

The summary of top 6 key executives' remuneration for the year ended 31 December 2007 is as follows:

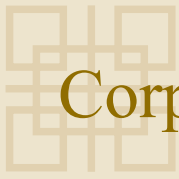
Key Executives

Remuneration Band	Salary ⁽ⁱ⁾ %	Bonus %	Performance Bonus %	Directors' Fee ^{(ii) & (iii)} %	Total %
S\$250,000 and above					
Nil					
Below S\$250,000					
Victor Lee Ngai Meng	86	14	–	–	100
Ng Eng Chyuan	86	14	–	–	100
Chan Chee Hung	80	13	–	7	100
Toh Yen Sang ^(iv)	72	22	–	6	100
Audrey Ng Wee Yen	86	14	–	–	100
Jennifer Teo Guat Thoo	86	14	–	–	100

Notes:

- (i) Salary is inclusive of CPF contribution.
- (ii) Directors' fees are only payable after approval by shareholders at a general meeting.
- (iii) The Directors' fees payable to Wong Wei Teck, Chan Chee Hung and Toh Yen Sang relate to their directorships in a subsidiary.
- (iv) Toh Yen Sang is the sister-in-law of Mok Yip Peng, Executive Chairman and Managing Director.

The Company does not have any employee who is an immediate family member of a Director or the CEO and whose remuneration exceeds S\$150,000 during the year.



Corporate Governance Report

(C) ACCOUNTABILITY AND AUDIT

Principle 10: Accountability

The Board reports to the shareholders at each general meeting while the management of the Company is accountable to the Board. The Company announces its half year and full year results and makes disclosure of other relevant information of the Company to the SGX-ST and the public via SGXNET as required by the SGX-ST listing manual.

Quarterly management accounts of the Group are also submitted to the Board which enables the Board to assess the Group's performance, position and prospects on a quarterly basis.

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:

- (a) review the scope and results of the audit and its cost effectiveness, as well as the independence and objectivity of the external auditors;
- (b) review the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements and any formal announcements relating to the Group's financial performance;
- (c) review the adequacy of the internal controls, in accordance with the guidelines as set out in the CCDG Code;
- (d) review the effectiveness of the internal audit function;
- (e) 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;
- (f) review arrangements by which staff of the Company, may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters;
- (g) review the external auditors' reports;
- (h) review the co-operation given by the Company's officers to the external auditors;
- (i) review and approve interested person transactions, if any;
- (j) review the appointment of Toh Yen Sang as the Senior Manager, Finance of the Company due to the relationship between Mok Yip Peng and herself; and
- (k) 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 the 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 shall abstain from reviewing that particular transaction or voting on the particular resolution.

Corporate Governance Report



Principle 12: Internal Controls

As part of the statutory audit, the external auditors, BDO Raffles, will carry out 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.

Principle 13: Internal Audit

The Company has appointed Horwath First Trust as internal auditors to review the internal control system of the Group for two years. The internal auditors will report their findings to the Audit Committee periodically and the Company will announce the outcome of the final review via SGXNET at the end of the two years period. In this respect, the external auditors will also review the internal control system of the Group at the end of the two years period and recommend to the Audit Committee on whether the internal control system review function should be retained.

(D) COMMUNICATION WITH SHAREHOLDERS

Principle 14: Communication with Shareholders

The Company announces 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 the Company will receive the annual report of the Company and the notice of the annual general meeting at least 14 days before the meeting.

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 the Company. The chairpersons of the Audit, Nominating and Remuneration Committees and the external auditors will be present to address and assist the Directors in addressing queries raised by the shareholders.

RISK MANAGEMENT

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

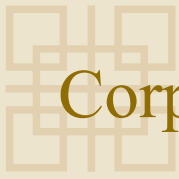
The Company does not have a Risk Management Committee. However, the Board of Directors will regularly review the Company's business and operating activities and the business environment to identify areas of significant business risks and recommend appropriate measures which will control or mitigate these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

INTERESTED PERSON TRANSACTIONS

(Listing Manual Rule 1207(16)&(17))

The Company has implemented the following procedures for the identification of interested persons and the recording of interested person transactions:

- (a) The Company will maintain a list of interested persons which is to be updated immediately if there are any changes 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 any changes to the list by the Audit Committee and maintained by the Senior Manager, Finance; and
- (b) The Company will maintain a register of transactions carried out with all interested persons, including those transactions below S\$100,000 and recording the basis and the comparable quotations obtained (if available) to support such basis on which they are entered into.



Corporate Governance Report

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

- (a) 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. In determining the most competitive price or fee, all pertinent factors, including but not limited to quality, delivery time and track record will be taken into consideration; and
- (b) When renting properties from or to an interested person, the 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 rate of similar property in terms of size and location, based on the results of the relevant inquiries.

At the Audit Committee's discretion, the Company shall engage an independent professional services firm to review all interested person transactions, including the procedures for reviewing interested person transactions. In the event that a member of the Audit Committee is interested in any interested person transaction, he will abstain from reviewing and voting that particular transaction.

The Board of Directors will ensure that all disclosure requirements on interested person transactions, including those required by Rule 907 of the Listing Manual, are complied with. In addition, such transactions will also be subject to shareholders' approval, if required under Chapter 9 of the Listing Manual.

DEALINGS IN SECURITIES **(Listing Manual Rule 1207(18))**

The Company has put in place an internal code on dealings in securities which provides guidance and internal regulation with regard to dealings in the 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 the Company's securities during the window period.

USE OF IPO'S PROCEEDS

The Company refers to the net IPO proceeds amounted to S\$4.1 million raised from the initial public offering of its shares.

The total amount of net IPO proceeds used as at 29 February 2008 amounted to S\$3.1 million as follows:

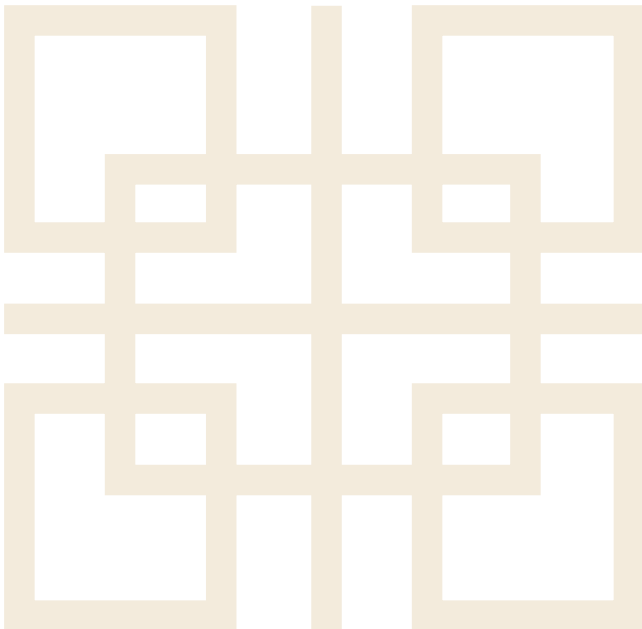
	Intended use of proceeds and IPO expenses as per prospectus dated 15/05/07	IPO proceeds utilised as at 29/02/08	Available balance as at 29/02/08
Use of Proceeds			
Business expansion	\$1,000,000	\$20,330	\$979,670
Refurbishment of outlet and facility	\$500,000	\$281,414	\$218,586
General working capital	\$2,902,000	\$2,786,516	\$115,484
IPO Expenses	\$1,058,000	\$1,408,444	(\$350,444)
Total	\$5,460,000	\$4,496,704	\$963,296

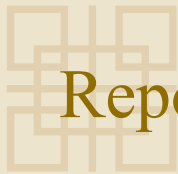


Annual Report 2007

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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 2007 and the balance sheet of the Company as at 31 December 2007 and the statement of changes in equity of the Company for the financial year ended 31 December 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 (Su Mingzhi)	(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"), particulars of interests of the Directors of the Company who held office at the end of the financial year in shares or debentures of the Company or its related corporations are as follows:

	Balance as at 1.1.2007 or date of appointment	Balance as at 31.12.2007
The Company	Number of ordinary shares	
Mok Yip Peng	64,174	18,561,200
Wong Wei Teck	47,281	13,697,300
Then Khek Koon	37,240	11,315,000
Professor Cham Tao Soon	–	100,000
Chua Koh Ming	–	100,000
Jong Voon Hoo	–	100,000
Saw Meng Tee (Su Mingzhi)	–	100,000

By virtue of Section 7 of the Act, Mr Mok Yip Peng is deemed to have interests in the shares of all the subsidiaries of the Company at the beginning 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 2008 in the shares of the Company or its related corporations have not changed from those disclosed as at 31 December 2007.

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.

Report of the Directors



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:

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

The Audit Committee meets 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 matters 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.

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
25 March 2008



Statement by Directors

In our opinion,

- (a) the accompanying financial statements comprising the balance sheets, consolidated income statement, statements of changes in equity and consolidated cash flow statement together with the notes thereon 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 2007, 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
25 March 2008

Independent Auditors' Report

To the Members of Soup Restaurant Group Limited



We have audited the accompanying financial statements of Soup Restaurant Group Limited (the "Company") and its subsidiaries (the "Group") as set out on page 34 to 66, which comprise the balance sheets of the Group and the Company as at 31 December 2007, 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.

Management's Responsibility for the Financial Statements

Management 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:

- (a) devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair income statement and balance sheets and to maintain accountability of assets;
- (b) selecting and applying appropriate accounting policies; and
- (c) 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 management, 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 2007 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
25 March 2008

Balance Sheets

As at 31 December 2007

	Note	Group		Company	
		2007	2006	2007	2006
		\$	\$	\$	\$
Non-current assets					
Plant and equipment	4	3,264,150	2,584,910	413,232	592,983
Investments in subsidiaries	5	–	–	494,161	394,161
Available-for-sale financial assets	6	–	–	–	–
		3,264,150	2,584,910	907,393	987,144
Current assets					
Inventories	7	53,198	39,648	53,198	39,648
Trade and other receivables	8	2,762,964	2,375,469	556,874	1,164,461
Cash and cash equivalents	9	11,483,209	3,671,746	9,204,682	1,608,148
		14,299,371	6,086,863	9,814,754	2,812,257
Less:					
Current liabilities					
Trade and other payables	10	3,555,696	2,537,216	1,531,083	1,465,051
Finance lease payables	11	6,000	26,566	–	7,144
Provisions	12	281,053	238,638	43,538	50,988
Borrowings	13	–	8,850	–	–
Current income tax payable		695,327	591,568	68,230	104,146
		4,538,076	3,402,838	1,642,851	1,627,329
Net current assets		9,761,295	2,684,025	8,171,903	1,184,928
Non-current liabilities					
Finance lease payables	11	(39,000)	(66,369)	–	(21,369)
Deferred tax liabilities	14	(192,401)	(220,310)	(46,226)	(80,356)
		(231,401)	(286,679)	(46,226)	(101,725)
Net assets		12,794,044	4,982,256	9,033,070	2,070,347
Capital and reserves					
Share capital	15	4,786,556	245,000	4,786,556	245,000
Accumulated profits		7,125,463	4,389,671	4,246,514	1,825,347
Total attributable to equity holders of the Company		11,912,019	4,634,671	9,033,070	2,070,347
Minority interests		882,025	347,585	–	–
Total equity		12,794,044	4,982,256	9,033,070	2,070,347

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

Consolidated Income Statement

For the Financial Year Ended 31 December 2007

	Note	2007	2006
		\$	\$
Revenue	16	33,985,064	21,893,085
Other income	17	400,011	329,361
Changes in inventories		13,550	812
Purchases and other consumables		(7,955,594)	(5,125,951)
Employee benefits expenses	18	(10,696,375)	(7,042,847)
Depreciation of plant and equipment	4	(1,264,158)	(852,580)
Other expenses		(9,897,306)	(6,334,097)
Finance costs	19	(14,478)	(10,197)
Profit before income tax	20	4,570,714	2,857,586
Income tax expense	21	(638,913)	(537,428)
Profit after income tax		3,931,801	2,320,158
Attributable to:			
- Equity holders of the Company		3,225,792	2,208,264
- Minority interests		706,009	111,894
		3,931,801	2,320,158
Earnings per share (cents)			
	22		
Basic		4.42	901.33
Diluted		4.42	901.33

Statements of Changes in Equity

For the Financial Year Ended 31 December 2007

Group	Note	Attributable to equity holders of the Company			Minority interests	Total equity
		Share capital	Accumulated profits	Total		
		\$	\$	\$	\$	\$
Balance at 1.1.2007		245,000	4,389,671	4,634,671	347,585	4,982,256
Net profit for the financial year, representing total income and expense recognised for the financial year		–	3,225,792	3,225,792	706,009	3,931,801
Issuance of new ordinary shares	15	5,460,000	–	5,460,000	–	5,460,000
Share issue expenses	15	(1,408,444)	–	(1,408,444)	–	(1,408,444)
Bonus issue	15	490,000	(490,000)	–	–	–
Dividends paid to minority interests		–	–	–	(171,569)	(171,569)
Balance at 31.12.2007		4,786,556	7,125,463	11,912,019	882,025	12,794,044
Balance at 1.1.2006		245,000	3,181,407	3,426,407	–	3,426,407
Net profit for the financial year, representing total income and expense recognised 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

Company	Note	Share capital	Accumulated profits	Total
		\$	\$	\$
Balance at 1.1.2007		245,000	1,825,347	2,070,347
Net profit for the financial year, representing total income and expense recognised for the financial year		–	2,911,167	2,911,167
Issuance of new ordinary shares	15	5,460,000	–	5,460,000
Share issue expenses	15	(1,408,444)	–	(1,408,444)
Bonus issue	15	490,000	(490,000)	–
Balance at 31.12.2007		4,786,556	4,246,514	9,033,070
Balance at 1.1.2006		245,000	652,915	897,915
Net profit for the financial year, representing total income and expense recognised 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

Consolidated Cash Flow Statement

For the Financial Year Ended 31 December 2007

	Note	2007	2006
		\$	\$
Cash flows from operating activities			
Profit before income tax		4,570,714	2,857,586
Adjustments for:			
Accreditation of negative goodwill	5	–	(48,114)
Allowance for impairment in value of non-trade receivables	8	20,000	–
Bad non-trade receivables written off		–	527
Depreciation of plant and equipment	4	1,264,158	852,580
Interest expense	19	14,478	10,197
Interest income		(67,572)	(17,458)
Loss on disposal of plant and equipment		68,451	7,896
Reversal of provision for restoration cost	12	(14,286)	–
Plant and equipment written off		11,043	24,119
Operating profit before working capital changes		5,866,986	3,687,333
Working capital changes:			
Inventories		(13,550)	(812)
Trade and other receivables		(407,495)	(771,688)
Trade and other payables		1,008,956	(639,797)
Cash generated from operations		6,454,897	2,275,036
Income taxes paid		(563,063)	(282,189)
Interest paid		(6,211)	(1,953)
Interest received		67,572	17,458
Net cash from operating activities		5,953,195	2,008,352
Cash flows from investing activities			
Proceeds from disposal of plant and equipment		15,840	4,066
Purchase of plant and equipment	4	(1,980,774)	(812,802)
Net cash inflow from acquisition of subsidiary	5	–	120,383
Net cash used in investing activities		(1,964,934)	(688,353)
Cash flows from financing activities			
Dividends paid	23	–	(1,000,000)
Dividends paid to minority interests		(171,569)	–
Fixed deposits pledged		–	1,005,480
Repayments of borrowings		(8,850)	(152,909)
Net proceeds from issue of new shares		4,051,556	–
Repayments of finance lease obligations		(47,935)	(11,053)
Net cash from/(used in) financing activities		3,823,202	(158,482)
Net change in cash and cash equivalents		7,811,463	1,161,517
Cash and cash equivalents at beginning of financial year		3,671,746	2,510,229
Cash and cash equivalents at end of financial year	9	11,483,209	3,671,746

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

Notes to the Financial Statements

For the Financial Year Ended 31 December 2007

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 (the "Company") and the consolidated financial statements of the Company and its subsidiaries (the "Group") for the financial year ended 31 December 2007 were authorised for issue in accordance with a Directors' resolution dated 25 March 2008.

On 23 March 2007, the Company changed its name from Soup Restaurant Pte Ltd to Soup Restaurant Group Pte Ltd. On 26 March 2007, the Company was 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 operation 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 the provisions of the Singapore Companies Act, Cap. 50 and Singapore Financial Reporting Standards ("FRS") and are prepared under the historical cost convention, except as disclosed in the accounting policies below.

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.

The preparation of financial statements in conformity with FRS requires the management 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 management's 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 judgements and key sources of estimation uncertainty used that are significant to the financial statements 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") that are relevant to their 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 except as indicated below.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2007



2. Summary of significant accounting policies (Continued)

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

FRS 107, Financial Instruments: Disclosures and amendment to FRS 1 (revised), Presentation of Financial Statements (Capital Disclosures)

FRS 107 introduces new disclosures 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, liquidity risk and market risk, including sensitivity analysis to market risk. The amendment to FRS 1 (revised) requires the Group and the Company to make new disclosures to enable users of the financial statements to evaluate the Group's and the Company's objectives, policies and processes for managing capital.

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 23	: Borrowing Costs (revised)	1 January 2009
FRS 108	: Operating Segments	1 January 2009
INT FRS 111	: FRS 102 - 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 108 as indicated below.

FRS 108, Operating Segments

FRS 108 requires an entity to adopt a "management perspective approach" in reporting financial and descriptive information about its reportable segment. Financial information is required to be reported on the basis that it is used internally for evaluation operating segment performance and deciding how to allocate resources to operating segments. FRS 108 introduces additional segment disclosures to be made to improve the information about operating segments. The Group will apply FRS 108 from financial period beginning 1 January 2009.

(b) Basis of consolidation

The purchase method of accounting is used to account for the acquisitions of subsidiaries. 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.

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 but are considered an impairment indicator 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.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2007

2. Summary of significant accounting policies (Continued)

(b) Basis of consolidation (Continued)

Minority interest is that part of the net results of operations and of net assets of a subsidiary attributable to interests which are not owned directly or indirectly by the Group. It is measured at the minorities' share of the fair value of the subsidiaries' identifiable assets and liabilities and contingent liabilities at the date of acquisition by the Group and the minorities' share of changes in equity since the date of acquisition, except when the losses applicable to the minority in a subsidiary exceed the minority interests in the equity of that subsidiary. In such cases, the excess and further losses applicable to the minorities are attributed to the equity holders of the Company, unless the minorities have a binding obligation to, and are able to, make good the losses. When that subsidiary subsequently reports profits, the profits applicable to the minorities are attributed to the equity holders of the Company until the minorities' share of losses previously absorbed by the equity holders of the Company has been recovered.

Minority interests are presented in the consolidated balance sheet of the Group within equity, separately from the Company's equity holders, and are separately disclosed in the consolidated income statement 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 at the date of acquisition. 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 its purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. 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 recognised in the income statement.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2007



2. Summary of significant accounting policies (Continued)

(d) Plant and equipment (Continued)

Depreciation is calculated on the straight-line method so as to allocate 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	5 - 6
Kitchen equipment	5 - 6
Motor vehicles	6 - 10
Office equipment	3 - 6
Renovation	1 - 6

The residual values, estimated useful life and depreciation method are reviewed at each financial year-end 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.

(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 amounts of the Group's and the Company's non-financial assets are reviewed at each reporting 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 of assets. 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.

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 amount 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. If this is the case, the recoverable amount is determined for the cash-generating unit to which the asset belongs. 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 be derived 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.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2007

2. Summary of significant accounting policies (Continued)

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

Non-financial assets other than goodwill (Continued)

An assessment is made at each reporting 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 only if there has been a change in the estimates used to determine the recoverable amount since the last impairment in value was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. 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" method 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

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. The Directors of the Company determine the classification of their financial assets at initial recognition and re-evaluate this designation at the balance sheet date, where allowed and appropriate.

(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.

(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.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2007



2. Summary of significant accounting policies (Continued)

(h) Financial assets (Continued)

Recognition and derecognition (Continued)

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.

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument, or where appropriate, a shorter period. Income and expense are recognised on an effective interest basis for debt instruments other than those financial instruments “at fair value through profit or loss”.

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 impairment in value 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.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2007

2. Summary of significant accounting policies (Continued)

(i) Financial liabilities

The accounting policies adopted for specific financial liabilities are set out below.

(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.

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.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2007



2. Summary of significant accounting policies (Continued)

(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. 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.

Royalty fee and collaboration fee income are recognised on accrual basis.

Interest income is recognised on a time-proportion basis in the income statement using the effective interest method.

(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.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2007

2. Summary of significant accounting policies (Continued)

(o) Leases (Continued)

When the Group and the Company are the lessee of an operating lease (Continued)

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 expense

Income tax expense for the financial year comprises current and deferred taxes. Income tax expense 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 expense is recognised in equity.

Current tax expense 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.

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.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2007



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 and the Company's accounting policies, the management is 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 and the reported amounts of revenues and expenses, 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 management estimates the useful lives of these assets to be within 1 to 10 years. The carrying amounts of the Group's and the Company's plant and equipment at 31 December 2007 were \$3,264,150 (2006: \$2,584,910) and \$413,232 (2006: \$592,983) respectively. 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.

(ii) Allowance for impairment in value of receivables

The management establishes allowance for impairment in value of receivables on a case-by-case basis when they believe that payment of amounts owed is unlikely to occur. In establishing these allowances, the management considers its historical experience and changes to its customers' financial position. If the financial conditions of receivables were to deteriorate, resulting in impairment of their abilities to make the required payments, additional allowances may be required. The carrying amounts of the Group's and the Company's trade and other receivables at 31 December 2007 were \$2,762,964 (2006: \$2,375,469) and \$556,874 (2006: \$1,164,461) respectively.

(iii) Income tax

Significant judgement is involved in determining the Group's and the Company's provision for income tax. There are certain transactions and computation for which the ultimate tax determination is uncertain during the ordinary course of business. The Group and the Company recognised liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax expense and deferred tax provision in the financial year in which such determination is made. The carrying amounts of the Group's and the Company's current income tax payable at 31 December 2007 were \$695,327 (2006: \$591,568) and \$68,230 (2006: \$104,146) respectively. The carrying amounts of the Group's and the Company's deferred tax liabilities at 31 December 2007 were \$192,401 (2006: \$220,310) and \$46,226 (2006: \$80,356) respectively.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2007

4. Plant and equipment

Group	Air- conditioners	Computer	Electrical equipment	Furniture and fittings	Kitchen equipment	Motor vehicles	Office equipment	Renovation	Total
Cost									
Balance at 1.1.2007	406,736	59,646	367,767	647,484	1,141,355	191,535	50,833	1,754,922	4,620,278
Additions	80,172	90,462	224,253	145,167	479,064	-	16,226	1,003,388	2,038,732
Disposals	(40,271)	(1,752)	(16,770)	(27,839)	(83,539)	-	(1,187)	-	(171,358)
Written off	(51,530)	(23,829)	(48,837)	(97,224)	(123,450)	-	(10,878)	(261,054)	(616,802)
Balance at 31.12.2007	395,107	124,527	526,413	667,588	1,413,430	191,535	54,994	2,497,256	5,870,850
Accumulated depreciation									
Balance at 1.1.2007	167,542	23,998	160,020	276,539	451,987	59,111	16,150	880,021	2,035,368
Depreciation for the financial year	70,468	29,448	78,716	117,792	223,197	28,995	15,140	700,402	1,264,158
Disposals	(20,727)	(1,641)	(8,757)	(14,452)	(40,520)	-	(970)	-	(87,067)
Written off	(51,530)	(22,008)	(48,199)	(91,679)	(122,832)	-	(8,769)	(260,742)	(605,759)
Balance at 31.12.2007	165,753	29,797	181,780	288,200	511,832	88,106	21,551	1,319,681	2,606,700
Net book value									
Balance at 31.12.2007	229,354	94,730	344,633	379,388	901,598	103,429	33,443	1,177,575	3,264,150
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 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

Notes to the Financial Statements

For the Financial Year Ended 31 December 2007

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 1.1.2007	118,084	28,686	111,107	170,508	399,268	133,179	16,875	498,150	1,475,857
Additions	-	23,457	4,574	3,660	27,811	-	5,464	24,000	88,966
Disposals	(2,300)	(189)	-	(1,255)	(2,700)	-	(1,187)	-	(7,631)
Written off	-	(9,499)	-	-	-	-	(3,523)	(9,070)	(22,092)
Balance at 31.12.2007	115,784	42,455	115,681	172,913	424,379	133,179	17,629	513,080	1,535,100
Accumulated depreciation									
Balance at 1.1.2007	76,798	10,598	69,072	102,709	244,099	57,978	10,153	311,467	882,874
Depreciation for the financial year	19,400	11,650	19,332	28,611	68,953	22,196	3,020	90,352	263,514
Disposals	(2,097)	(79)	-	(1,018)	(375)	-	(970)	-	(4,539)
Written off	-	(8,677)	-	-	-	-	(2,546)	(8,758)	(19,981)
Balance at 31.12.2007	94,101	13,492	88,404	130,302	312,677	80,174	9,657	393,061	1,121,868
Net book value									
Balance at 31.12.2007	21,683	28,963	27,277	42,611	111,702	53,005	7,972	120,019	413,232
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 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

Notes to the Financial Statements

For the Financial Year Ended 31 December 2007

4. Plant and equipment (Continued)

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

	Group		Company	
	2007	2006	2007	2006
	\$	\$	\$	\$
Kitchen equipment	–	30,960	–	–
Motor vehicles	50,424	89,209	–	31,986
	50,424	120,169	–	31,986

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

	Group	
	2007	2006
	\$	\$
Additions of plant and equipment	2,038,732	838,724
Provision for dismantlement, removal or restoration	(57,958)	(25,922)
Cash payments to acquire plant and equipment	1,980,774	812,802

5. Investments in subsidiaries

	Company	
	2007	2006
	\$	\$
Unquoted equity shares in corporations, at cost	494,261	494,261
Allowance for impairment	(100)	(100,100)
	494,161	394,161

Movement in allowance for impairment in value is as follows:

	Company	
	2007	2006
	\$	\$
Balance at beginning of financial year	100,100	100,100
Reversal of impairment during the financial year	(100,000)	–
Balance at end of financial year	100	100,100

A reversal of allowance for impairment in value of \$100,000 (2006: \$Nil) is recognised in the income statement subsequent to an assessment performed on the carrying value of the subsidiaries by the management.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2007



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

The particulars of the subsidiaries are as follows:

Name of subsidiary	Principal activities	Country of incorporation and place of business	Effective equity interests held	
			2007 %	2006 %
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 beverage and general trading	Singapore	50.98	50.98

* Audited by BDO Raffles, Singapore

Notes to the Financial Statements

For the Financial Year Ended 31 December 2007

6. Available-for-sale financial assets

	Group	
	2007	2006
	\$	\$
<i>Convertible loan</i>		
Convertible loan to third party	120,000	120,000
Allowance for impairment	(120,000)	(120,000)
	-	-

Movement in allowance for convertible loan is as follows:

Balance at beginning and end of financial year	120,000	120,000
--	---------	---------

The convertible loan to a third party is 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 party.

The convertible loan 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.

Subsequent to the balance sheet date, the Group and the third party have reached a mutual agreement where the Group will not exercise the convertible options and the third party will settle the amount of \$77,694 being the full and final settlement for the amount due to the Group of \$221,694 comprising convertible loan of \$120,000 and loan of \$101,694. The Group has made allowance for impairment in value for the remaining amount of \$144,000.

The convertible loan is denominated in Singapore dollar.

7. Inventories

	Group and Company	
	2007	2006
	\$	\$
Consumables	53,198	39,648

8. Trade and other receivables

	Group		Company	
	2007	2006	2007	2006
	\$	\$	\$	\$
Trade receivables	329,587	242,441	34,692	56,691
Other receivables	84,252	69,955	48,591	66,478
Allowance for impairment	(20,000)	-	(20,000)	-
	64,252	69,955	28,591	66,478
Rental and utilities deposits	2,084,553	1,396,835	216,867	241,135
Loan to a third party	101,694	139,900	-	-
Allowance for impairment	(24,000)	(24,000)	-	-
	77,694	115,900	-	-
Prepayments	206,878	131,588	20,960	40,258
Prepaid listing expenses	-	418,750	-	418,750
Amounts due from subsidiaries				
- trade	-	-	421,371	866,034
- non-trade	-	-	213,010	423,288
- loan	-	-	156,131	205,000
- allowance for impairment	-	-	(534,748)	(1,153,173)
	-	-	255,764	341,149
	2,762,964	2,375,469	556,874	1,164,461

Notes to the Financial Statements

For the Financial Year Ended 31 December 2007



8. Trade and other receivables (Continued)

Movement in allowance for impairment on other receivables is as follows:

	Group and Company	
	2007	2006
	\$	\$
Balance at beginning of financial year	-	-
Impairment made during the financial year	20,000	-
Balance at end of financial year	20,000	-

Movement in allowance for loan to a third party is as follows:

	Group	
	2007	2006
	\$	\$
Balance at beginning and end of financial year	24,000	24,000

Movements in allowance for impairment on amounts due from subsidiaries are as follows:

	Group	
	2007	2006
	\$	\$
Balance at beginning of financial year	1,153,173	1,153,173
Reversal of impairment during the financial year	(712,438)	-
Impairment made during the financial year	94,013	-
Balance at end of financial year	534,748	1,153,173

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

Loan to a third party is unsecured, interest-free and repayable on demand.

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

Allowance for impairment in value of other receivables and amounts due from subsidiaries of \$20,000 (2006: \$Nil) and \$94,013 (2006: \$Nil) respectively are recognised in the income statement subsequent to debt recovery assessment performed on other receivables and the subsidiaries by the management.

A reversal of allowance for impairment in value of amounts due from subsidiaries of \$712,438 (2006: \$Nil) is recognised in the income statement subsequent to a debt recovery assessment performed on the subsidiaries by the management.

Trade and other receivables are denominated in Singapore dollar.

In the previous financial year, the Group and the Company had recognised prepaid listing expenses of \$418,750, of which \$113,750 paid/payable to the auditors of the Company for the services rendered as Reporting Auditors, in respect of the initial public offering and admission to the Official List of the Singapore Exchange Securities Trading Limited Dealing and Automated Quotation System ("SGX- SESDAQ"). The prepaid listing expenses were offset against proceeds from the issuance of new shares upon its successful initial public offering.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2007

9. Cash and cash equivalents

	Group		Company	
	2007	2006	2007	2006
	\$	\$	\$	\$
Fixed deposits with banks	8,235,321	–	8,235,321	–
Cash and bank balances	3,247,888	3,671,746	969,361	1,608,148
	11,483,209	3,671,746	9,204,682	1,608,148

Fixed deposits are placed for tenure of 30 to 90 days (2006: Nil days) and the effective interest rate on the fixed deposits is approximately 2.1% (2006: 2.65%) per annum.

Cash and cash equivalents are denominated in Singapore dollar.

10. Trade and other payables

	Group		Company	
	2007	2006	2007	2006
	\$	\$	\$	\$
Trade payables	1,234,969	813,902	178,526	146,382
Other payables	400,410	618,688	59,512	280,742
Deferred income	–	6,000	–	6,000
Accrued operating expenses	1,820,080	1,010,614	464,142	182,214
Unutilised annual leave	100,237	88,012	16,092	20,596
Loans from subsidiaries	–	–	812,811	829,117
	3,555,696	2,537,216	1,531,083	1,465,051

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

Other payables comprise mainly payables for other expenses.

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

Loans from 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 2007



11. Finance lease payables

	Minimum lease payments	Future finance charges	Present value of minimum lease payments
	\$	\$	\$
Group			
2007			
Not later than one year	7,800	(1,800)	6,000
Later than one year but not later than five years	31,200	(7,200)	24,000
Later than five years	19,500	(4,500)	15,000
	50,700	(11,700)	39,000
	58,500	(13,500)	45,000
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			
2007			
	-	-	-
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

The lease terms range from 2 years to 6 years.

The effective interest rates charged during the financial year range from between 5.46% to 5.75% (2006: 5.75% to 6.15%) per annum.

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

The Group's 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.

During the financial year, the Company's lease obligations have been fully settled.

The finance lease payables are denominated in Singapore dollar.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2007

12. Provisions

Provision for dismantlement, removal or restoration are 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 are as follows:

	Group		Company	
	2007	2006	2007	2006
	\$	\$	\$	\$
Balance at beginning of financial year	238,638	164,983	50,988	48,560
Acquisition of subsidiary	–	39,489	–	–
Reversal during the financial year	(14,286)	–	–	–
Provision made during the financial year	57,958	25,922	–	–
Utilisation during the financial year	(9,524)	–	(9,524)	–
Amortisation of discount	8,267	8,244	2,074	2,428
Balance at end of financial year	281,053	238,638	43,538	50,988

13. Borrowings

	Group	
	2007	2006
	\$	\$
Repayable within one financial year		
- non-revolving working capital loan	–	8,850

In the previous financial year, the non-revolving working capital loan from a financial institution was supported by the personal guarantees of some of the Directors of a subsidiary who are also the minority shareholders of the Group. The non-revolving working capital loan was fully repaid during the current financial year.

The average effective interest rate on the non-revolving working capital loan is approximately 5.75% (2006: 5.75%) per annum during the financial year.

The non-revolving working capital loan was denominated in Singapore dollar.

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

	Group	
	2007	2006
	\$	\$
Facilities granted	–	15,183,225
Facilities utilised	–	8,850

Notes to the Financial Statements

For the Financial Year Ended 31 December 2007



14. Deferred tax liabilities

	Group		Company	
	2007	2006	2007	2006
	\$	\$	\$	\$
Balance at beginning of financial year	220,310	203,772	80,356	111,000
Transferred (to)/from income statement	(27,909)	16,538	(34,130)	(30,644)
Balance at end of financial year	192,401	220,310	46,226	80,356

Recognised deferred tax liabilities are attributable to the following:

	Group		Company	
	2007	2006	2007	2006
	\$	\$	\$	\$
Plant and equipment	211,556	242,668	49,123	84,475
Unutilised annual leave	(18,005)	(17,603)	(2,897)	(4,119)
Others	(1,150)	(4,755)	–	–
	192,401	220,310	46,226	80,356

15. Share capital

	Group and Company	
	2007	2006
	\$	\$
<i>Issued and fully paid</i>		
245,000 ordinary shares at beginning of financial year	245,000	245,000
Issuance of 490,000 ordinary shares on the basis of two bonus shares for each existing ordinary share	490,000	–
Sub-division of the ordinary shares into 73,500,000 ordinary shares	–	–
Issuance of 26,000,000 ordinary shares pursuant to the Company's initial public offering	5,460,000	–
Shares issue expenses	(1,408,444)	–
99,500,000 (2006: 245,000) ordinary shares at end of financial year	4,786,556	245,000

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction.

On 23 March 2007, the Company capitalised \$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 and sub-divided 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 into 73,500,000 ordinary shares on the basis from one ordinary share into 100 ordinary shares.

On 25 May 2007, the Company issued 26,000,000 ordinary shares at \$0.21 for each share at cash pursuant to the Company's initial public offering.

Included in the share issue expenses were professional fee paid to the auditors of the Company amounting to \$217,000 in respect of the professional services rendered in connection with the Company's initial public offering.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2007

16. Revenue

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

17. Other income

	Group	
	2007	2006
	\$	\$
Accreditation of negative goodwill	–	48,114
Bank interest income	1,175	950
Central kitchen income	–	20,000
Collaboration fee	268,802	135,368
Fixed deposits interest income	66,397	16,508
Government grant	–	5,000
Royalty fee	31,228	27,989
Others	32,409	75,432
	<u>400,011</u>	<u>329,361</u>

18. Employee benefits expenses

	Group	
	2007	2006
	\$	\$
Salaries, wages, and bonuses	9,461,143	6,227,558
Contributions to defined contribution plans	578,546	379,043
Employees' benefits	656,686	436,246
	<u>10,696,375</u>	<u>7,042,847</u>

The above includes the amounts shown as Directors' remuneration in Note 26 to the financial statements.

19. Finance costs

	Group	
	2007	2006
	\$	\$
Amortisation of discount on provision	8,267	8,244
Borrowings interest	660	94
Finance leases interest	5,551	1,859
	<u>14,478</u>	<u>10,197</u>

Notes to the Financial Statements

For the Financial Year Ended 31 December 2007



20. Profit before income tax

The above is arrived at:

	Group	
	2007	2006
	\$	\$
After charging:		
<i>Other expenses</i>		
Allowance for impairment in value of non-trade receivables	20,000	–
Bad non-trade receivables written off	–	527
Cleaning materials	673,681	506,071
Loss on disposal of plant and equipment	68,451	7,896
Non-audit fees paid to the auditors of the Company	15,591	12,938
Operating lease expenses		
- minimum lease payments		
- premises	4,685,777	3,080,064
- staff accommodation	9,600	3,700
- machinery	27,946	23,193
- contingent rents		
- premises	765,000	376,273
Plant and equipment written off	11,043	24,119
Utilities	1,485,175	1,161,952

21. Income tax expense

	Group	
	2007	2006
	\$	\$
Current income tax expense		
- current financial year	865,000	545,398
- overprovision in prior years	(198,178)	(24,508)
	666,822	520,890
Deferred tax		
- current financial year	(8,197)	24,693
- change in tax rate	(21,565)	–
- under/(over)provision in prior years	1,853	(8,155)
	(27,909)	16,538
Total income tax expense in consolidated income statement	638,913	537,428

Reconciliation of effective tax rate

	Group	
	2007	2006
	\$	\$
Profit before income tax	4,570,714	2,857,586
Income tax at statutory tax rate of 18% (2006: 20%)	822,729	571,517
Change in tax rate	(21,565)	–
Expenses non-deductible for income tax purposes	175,508	59,521
Income not subject to income tax	–	(9,623)
Exempt income	(137,250)	(54,017)
Overprovision in prior years	(196,325)	(32,663)
Others	(4,184)	2,693
	638,913	537,428

Notes to the Financial Statements

For the Financial Year Ended 31 December 2007

22. Earnings per share

	Group	
	2007	2006
Earnings per share (cents)		
Basic	4.42	901.33
Diluted	4.42	901.33

The calculation for basic and diluted earnings per share is based on:

	Group	
	2007	2006
Net profit attributable to equity holders of the Company	\$3,225,792	\$2,208,264
Weighted average (2006: actual) number of ordinary shares in issue during the financial year	72,985,877	245,000

Basic and diluted earnings per share are calculated by dividing the Group's net profit attributable to equity holders by the weighted average (2006: actual) number of shares in issue during the financial year.

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

Basic and diluted earnings per share for the previous financial year based on Pre-Invitation share capital calculated based on the profit attributable to equity holders of the Company of \$2,208,264 for the previous financial year on the assumption that Pre-Invitation share capital of 73,500,000 ordinary shares were in issue is 3.00 cents.

23. Dividends

	Group and Company	
	2007	2006
	\$	\$
Interim tax exempt dividends paid of \$Nil (2006: approximately \$4.08) per share in respect of the current financial year	–	1,000,000

The Directors of Company recommend a final dividend of \$0.01 (2006: \$Nil) per share amounting to \$995,000 (2006: \$Nil) be paid in respect of current financial year. This final dividend has not been recognised as a liability as at year end as it is subject to approval at the Annual General Meeting of the Company.

24. Operating lease commitments

The Group and the Company as the lessees

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

	Group		Company	
	2007	2006	2007	2006
	\$	\$	\$	\$
Not later than one year	4,042,531	3,985,089	724,179	759,946
Later than one year but not later than five years	2,967,419	5,052,505	230,308	960,293
	7,009,950	9,037,594	954,487	1,720,239

Notes to the Financial Statements

For the Financial Year Ended 31 December 2007



24. Operating lease commitments (Continued)

The above lease agreements expire on dates between 15 March 2008 to 30 October 2010. 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.

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 \$93,984 (2006: \$84,598), \$412,353 (2006: \$307,085) and \$109,344 (2006: \$515,220) respectively in excess of the issued and paid-up share capital of the respective subsidiaries as at 31 December 2007 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:

	Company	
	2007	2006
	\$	\$
Loan to subsidiaries from the Company	1,000,000	1,500,000
Loan from subsidiaries to the Company	3,030,000	2,955,000
Receipts on behalf of subsidiaries by the Company	18,672	-
Receipts on behalf of the Company by the subsidiaries	-	42,109
Settlement of liabilities on behalf of the Company by the subsidiaries	274,862	348,928
Settlement of liabilities on behalf of subsidiaries by the Company	320,448	329,929
Others	-	29,270
Royalty fees from the subsidiaries received by the Company	400,698	334,121
Sales of foodstuff to the subsidiaries by the Company	903,388	978,577
Accountancy fees charged to a subsidiary	1,300	11,200
Central kitchen fees charged to a subsidiary	12,916	2,600
Dividends received from a subsidiary	178,431	-
Management fees charged to a subsidiary	14,906	-
Secretarial fees charged to a subsidiary	960	-
Consultancy fees charged to a subsidiary	75,000	-

Notes to the Financial Statements

For the Financial Year Ended 31 December 2007

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	
	2007	2006	2007	2006
	\$	\$	\$	\$
Directors' fee	117,424	20,000	102,424	20,000
Short-term benefits	1,490,087	1,051,833	298,384	248,391
Post-employment benefits	99,255	102,337	14,100	24,179
	1,706,766	1,174,170	414,908	292,570

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

	Group		Company	
	2007	2006	2007	2006
	\$	\$	\$	\$
<i>Directors of the Company</i>				
Directors' fee	107,424	20,000	102,424	20,000
Short-term benefits	559,584	661,371	268,384	180,771
Post-employment benefits	38,767	65,907	10,200	17,986
	705,775	747,278	381,008	218,757
<i>Directors of a subsidiary</i>				
Directors' fee	10,000	37,250	–	–
Short-term benefits	634,963	75,900	–	–
Post-employment benefits	19,490	2,356	–	–
	664,453	115,506	–	–
	1,370,228	862,784	381,008	218,757

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 are presented.

28. Financial instruments, financial risk and capital risk management

The Group's and the Company's activities expose them to credit risk, market risk (including interest rate risk), and liquidity risk. The Group's and the Company's overall risk management strategy seeks to minimise adverse effects from the volatility of financial markets on the Group's and the Company's financial performance.

The Board of Directors is responsible for setting the objectives and underlying principles of financial risk management for the Group and the Company. The Group's and the Company's management then establish the detailed policies such as risk identification and measurement, exposure limits and hedging strategies, in accordance with the objectives and underlying principles approved by the Board of Directors.

There has been no change to the Group's and the Company's exposure to these financial risks or the manner in which it manages and measures the risk.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2007



28. Financial instruments, financial risk and capital risk management (Continued)

(a) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in a loss to the Group and the Company. The Group and the Company have adopted a policy of only dealing with creditworthy counterparties. The Group and the Company perform ongoing credit evaluation of its counterparties' financial condition and generally do not require a collateral.

Due to the nature of the Group's and the Company's business, the Group's and the Company's trade receivables are mainly group of counterparties having similar characteristics.

The carrying amount of financial assets recorded in the financial statements, grossed up for any allowances for losses, represents the Group's and the Company's maximum exposure to credit risk. The Group and Company do not hold any collateral.

The Group's and Company's major classes of financial assets are bank deposits, trade and other receivables and the convertible loan to a third party.

Bank deposits are mainly deposits with reputable banks.

Trade and other receivables that are neither past due nor impaired are substantially companies with good collection track record with the Group. The Group's and the Company's historical experience in the collection of receivables falls within the recorded allowances.

The age analysis of trade receivables is as follows:

	Gross receivables 2007	Impairment 2007	Gross receivables 2006	Impairment 2006
	\$	\$	\$	\$
Group				
Not past due	322,684	–	225,436	–
Past due 0 to 3 months	4,037	–	17,005	–
Past due 3 to 6 months	2,866	–	–	–
Past due 6 to 12 months	–	–	–	–
Past due over 12 months	–	–	–	–
	329,587	–	242,441	–
Company				
Not past due	27,906	–	39,686	–
Past due 0 to 3 months	3,920	–	17,005	–
Past due 3 to 6 months	2,866	–	–	–
Past due 6 to 12 months	–	–	–	–
Past due over 12 months	–	–	–	–
	34,692	–	56,691	–

Notes to the Financial Statements

For the Financial Year Ended 31 December 2007

28. Financial instruments, financial risk and capital risk management (Continued)

(a) Credit risk (Continued)

The age analysis of other receivables is as follows:

	Gross receivables 2007	Impairment 2007	Gross receivables 2006	Impairment 2006
	\$	\$	\$	\$
Group				
Not past due	35,438	–	25,573	–
Past due 0 to 3 months	28,814	–	24,382	–
Past due 3 to 6 months	–	–	20,000	–
Past due 6 to 12 months	–	–	–	–
Past due over 12 months	20,000	20,000	–	–
	<u>84,252</u>	<u>20,000</u>	<u>69,955</u>	<u>–</u>
Company				
Not past due	22,791	–	23,073	–
Past due 0 to 3 months	5,800	–	23,405	–
Past due 3 to 6 months	–	–	20,000	–
Past due 6 to 12 months	–	–	–	–
Past due over 12 months	20,000	20,000	–	–
	<u>48,591</u>	<u>20,000</u>	<u>66,478</u>	<u>–</u>

The age analysis of loan to a third party is as follows:

	Gross receivables 2007	Impairment 2007	Gross receivables 2006	Impairment 2006
	\$	\$	\$	\$
Group				
Past due 0 to 3 months	–	–	1,900	–
Past due 3 to 6 months	–	–	45,000	–
Past due 6 to 12 months	–	–	69,000	–
Past due over 12 months	101,694	24,000	24,000	24,000
	<u>101,694</u>	<u>24,000</u>	<u>139,900</u>	<u>24,000</u>

The age analysis of amounts due from subsidiaries is as follows:

	Gross receivables 2007	Impairment 2007	Gross receivables 2006	Impairment 2006
	\$	\$	\$	\$
Company				
Not past due	45,434	–	5,210	–
Past due 0 to 3 months	–	–	288,541	–
Past due 3 to 6 months	7,608	–	7,576	–
Past due 6 to 12 months	8,205	–	131,691	91,869
Past due over 12 months	729,265	534,748	1,061,304	1,061,304
	<u>790,512</u>	<u>534,748</u>	<u>1,494,322</u>	<u>1,153,173</u>

Notes to the Financial Statements

For the Financial Year Ended 31 December 2007



28. Financial instruments, financial risk and capital risk management (Continued)

(a) Credit risk (Continued)

The age analysis of convertible loan is as follows:

	Gross receivables 2007	Impairment 2007	Gross receivables 2006	Impairment 2006
	\$	\$	\$	\$
Group				
Not past due	-	-	-	-
Past due 0 to 3 months	-	-	-	-
Past due 3 to 6 months	-	-	-	-
Past due 6 to 12 months	-	-	-	-
Past due over 12 months	120,000	120,000	120,000	120,000
	120,000	120,000	120,000	120,000

The impaired other receivables, loan to a third party and convertible loan arise mainly from consultancy service and loan to a third party which has suffered significant losses in its operations. The impaired amounts due from subsidiaries arise mainly from working capital loan to subsidiaries which have suffered significant losses from its operations.

(b) Market risk

The Group's and the Company's activities expose them primarily to the financial risk of interest rates. The Group and the Company do not have any exposure to the financial risk of foreign currency exchange rates.

(i) Interest rate risk

The Group's and the Company's exposure to market risk for changes in interest rates relates mainly to interest-bearing fixed deposits and finance lease obligations with financial institutions.

As at balance sheet date, the Group and the Company do not have significant exposure to changes in interest rates.

(c) Liquidity risk

Liquidity risk refers to the risk in which the Group and the Company encounter difficulties in meeting its short-term obligations. Liquidity risks are managed by matching the payment and receipt cycle.

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 overall prudent liquidity management, the Group and the Company maintain sufficient level of cash to meet working capital requirements.

(d) Capital risk management policies and objectives

The Group and the Company manage their capital to ensure that the Group and the Company are able to continue as a going concern and maintain an optimal capital structure so as to maximise shareholders' value.

The Group and the Company monitor capital on the basis of the debt to equity ratio. The Group's and the Company's strategy was to maintain the debt to equity ratio under 100%. This ratio is calculated as total liabilities divided by equity. Total liabilities is total of "current liabilities" and "non-current liabilities" as shown in the balance sheets and equity is "total equity" as shown in the balance sheets.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2007

28. Financial instruments, financial risk and capital risk management (Continued)

(d) Capital risk management policies and objectives (Continued)

The Group's and the Company's management review the capital structure on a semi-annual basis. As part of this review, management considers the cost of capital and the risks associated with each class of capital. Upon review, the Group and the Company will balance its overall capital structure through the payment of dividends and new share issues as well as the redemption of existing debt. The Group's overall strategy remains unchanged from 2006.

	Group		Company	
	2007	2006	2007	2006
	\$	\$	\$	\$
Total liabilities	4,769,477	3,689,517	1,689,077	1,729,054
Equity	12,794,044	4,982,256	9,033,070	2,070,347
Debt to equity ratio	37%	74%	19%	84%

The decrease in the debt to equity ratio during the current financial year resulted primarily from the issuance of share capital pursuant to the Company's initial public offering.

The Group and the Company are not subject to any externally imposed 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 20 March 2008



Shareholdings Statistics as at 20 March 2008

Number of issued and paid-up shares - 99,500,000 ordinary shares and NIL treasury shares
 Class of shares - Ordinary shares
 Voting rights - 1 vote per ordinary 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	108	47.37	389,000	0.39
10,001	- 1,000,000	110	48.24	7,550,500	7.59
1,000,001	- And above	10	4.39	91,560,500	92.02
TOTAL		228	100.00	99,500,000	100.00

TWENTY LARGEST SHAREHOLDERS

NAME	NO. OF SHARES	%
1 MOK YIP PENG	18,561,200	18.65
2 WONG WEI TECK	13,697,300	13.77
3 WONG CHI KEONG	13,030,600	13.10
4 DBS NOMINEES PTE LTD	11,200,400	11.26
5 PANG CHENG JIN @ CEN YOU HAO	10,860,500	10.92
6 MAYBAN NOMINEES (S) PTE LTD	9,374,000	9.42
7 THEN KHEK KOON	5,586,000	5.61
8 HO HONG CHIN	3,808,900	3.83
9 HSBC (SINGAPORE) NOMINEES PTE LTD	3,757,600	3.78
10 AMFRASER SECURITIES PTE. LTD.	1,684,000	1.69
11 RAFFLES NOMINEES PTE LTD	331,000	0.33
12 UNITED OVERSEAS BANK NOMINEES PTE LTD	249,000	0.25
13 AUDREY NG WEE YEN	220,000	0.22
14 CHAN CHEE HUNG	220,000	0.22
15 TOH YEN SANG (ZHUO YANSHUANG)	220,000	0.22
16 DBS VICKERS SECURITIES (S) PTE LTD	206,000	0.21
17 KOH MEOW CHIN	200,000	0.20
18 UOB KAY HIAN PTE LTD	190,000	0.19
19 LIM & TAN SECURITIES PTE LTD	160,000	0.16
20 CHI MAN KWONG	150,000	0.15
TOTAL	93,706,500	94.18



Statistics of Shareholdings

As at 20 March 2008

SUBSTANTIAL SHAREHOLDERS

(as recorded in the Register of Substantial Shareholders)

Name	Direct Interest	%	Deemed Interest	%
Mok Yip Peng	18,561,200	18.65	–	–
Wong Wei Teck	13,697,300	13.77	–	–
Wong Chi Keong	13,030,600	13.10	–	–
Then Khek Koon	11,315,000	11.37	–	–
Pang Cheng Jin @ Cen You Hao	10,860,500	10.92	–	–

SHAREHOLDINGS HELD IN HANDS OF PUBLIC

Based on information available to the Company, approximately 29.9% of the Company's shares (excluding treasury shares) listed on the Singapore Exchange Securities Trading Limited were held in the hands of the public. Therefore the Company has complied with Rule 723 of the Listing Manual.

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, Mokara Room, Level 1, Singapore 299526 on Monday, 28 April 2008 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 2007 together with the Auditors' Report thereon. **(Resolution 1)**
2. To declare a final tax exempt (one-tier) dividend of 1.0 cent per ordinary share for the year ended 31 December 2007. **(Resolution 2)**
3. To re-elect the following Directors of the Company retiring pursuant to Article 107 of the Articles of Association of the Company:

Mr Wong Wei Teck (Retiring under Article 107) **(Resolution 3)**
Prof Cham Tao Soon (Retiring under Article 107) **(Resolution 4)**

Mr Wong Wei Teck, will in accordance with Article 107 retire at this annual general meeting and he has expressed his desire to be re-elected.

Prof Cham Tao Soon will, upon re-election as a Director of the Company, remain the Chairman of the Audit Committee and a member of Nominating/Remuneration Committee and will be considered independent.
4. To approve the payment of Directors' fees of S\$102,424 for the year ended 31 December 2007. [2006: \$20,000] **(Resolution 5)**
5. To re-appoint BDO Raffles as the Company's Auditors and to authorise the Directors to fix their remuneration. **(Resolution 6)**
6. 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:

7. 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
- (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,



Notice of Annual General Meeting

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 total number of issued shares (excluding treasury 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 total number of issued shares (excluding treasury 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 total number of issued shares (excluding treasury shares) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:
 - (a) new shares arising from the conversion or exercise of the Instruments or any convertible securities;
 - (b) new shares arising from exercising share options or vesting of share awards outstanding and subsisting at the time of the passing of this Resolution; and
 - (c) 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.

[See Explanatory Note (i)]

(Resolution 7)

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By Order of the Board

Toh Yen Sang
Secretary
Singapore, 11 April 2008

Explanatory Notes:

- (i) The Ordinary Resolution [6] in item [7] above, if passed, will empower the Directors of the Company from the date of this Meeting until the date 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 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 total number of issued shares (excluding treasury 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 of the Company.

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 total number of issued shares (excluding treasury shares) in the capital of the Company at the time this Ordinary Resolution is passed after adjusting for new shares arising from the conversion or exercise of the Instruments or any convertible securities, the exercise of share options or the vesting of share awards outstanding or subsisting at the time when this Ordinary Resolution is passed and any subsequent consolidation or subdivision of shares.

Notes:

1. A Member entitled to attend and vote at the Annual General (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 [Name of Company] (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 April 2008 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 2007		
2	Payment of proposed final dividend		
3	Re-election of Mr Wong Wei Teck as a Director		
4	Re-election of Prof Cham Tao Soon as a Director		
5	Approval of Directors' fees amounting to S\$102,424		
6	Re-appointment of BDO Raffles as Auditors		
7	Authority to allot and issue new shares		

Dated this _____ day of _____ 2008

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*

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

The 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

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

VivoCity
*1 HarbourFront Walk
#02-137/8 VivoCity*

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

Causeway Point
*1 Woodlands Square
#03-02 Causeway Point*

Changi Airport Terminal 3
*Singapore Changi Airport Terminal 3
Unit No. L3LF3 Mezzanine Level
Departure / Check-In Hall North*



171 Kampong Ampat #03-11 KA FoodLink
Singapore 368330