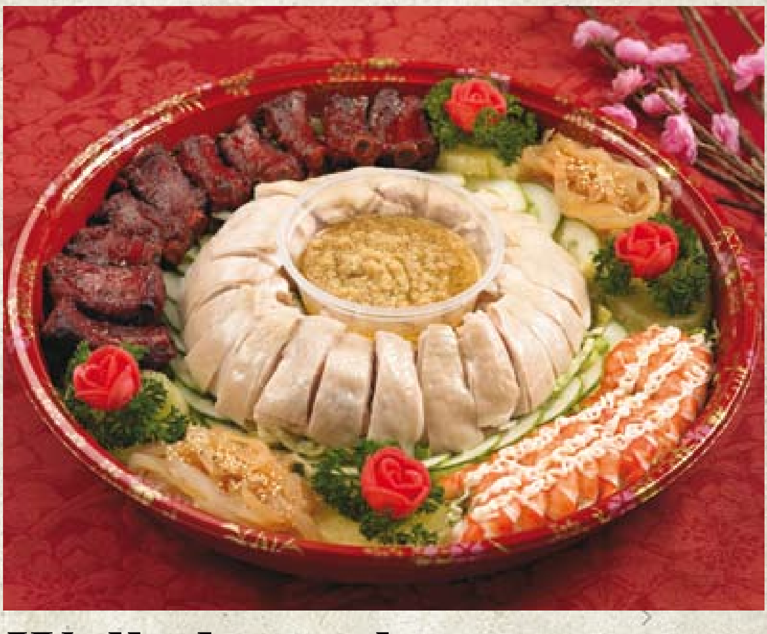
三盅两件 SOUP RESTAURANT

# ANNUAL REPORT 2009



## Walk down the memory lane with Soup Restaurant

Miss the good old days where you enjoy local cuisine at roadside stalls of old Chinatown? Or reminiscing the flavours of those mouth-watering steamy aromatic delicacies along Chinatown night bazaar? Walk down the memory lane with Soup Restaurant where this unique Heritage Cuisine is specially preserved for your palate, ready to tantalize your taste-buds!

For instance, by tasting our specialty "Samsui Ginger Chicken" can help relive the way how Samsui women in the olden days had this special dish during the Chinese New Year. Our "Samsui Ginger Chicken" is prepared in the same traditional way at Soup Restaurant by cooking the whole chicken for a pre-determined duration and temperature, thereby 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. Although the memories of Samsui women in olden Chinatown have gradually faded, the legend of our Chinese Heritage Cuisine is here to stay and will remain forever!

## DIAN XIAO ER RECEIVES RAVE REVIEWS


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. Its speciality is herbal roasted ducks, where delicious herbs are expertly brewed and infused into the dish.

### *Shophouses restored to former glory*

Chinatown shophouses have been a characteristic feature of old, downtown Singapore. With the government's conservation efforts, many have been restored to their former glory, providing a cultural link to a dynamically-changing landscape.


# CORPORATE PROFILE

Listed on the SGX-Catalist on 28 May 2007 and transferred to SGX Main Board on 18 December 2009, Soup Restaurant Group Limited ("the Company" or "the Group") owns and operates a chain of niche restaurants that serve traditional, home-cooked dishes which originated from family recipes.

The Group currently has 24 outlets island-wide under two major brand names – 15 "Soup Restaurant" and 9 "Dian Xiao Er" restaurants – that are strategically located across Singapore to reach a wider base of customers.

Established in 1991, "Soup Restaurant" focuses on traditional and home-cooked dishes. It serves traditional "Chinatown Heritage Cuisine" originated from its Managing Director, Mr Mok Yip Peng's family recipes. Its signature dishes include "Samsui Ginger Chicken" and various traditional Chinese double-boiled herbal soups.

"Dian Xiao Er" group of restaurants specialises in serving herbal roasted ducks and Chinese cuisines. It was acquired through the purchase of a 50.98% equity interest in Y.E.S F & B Group Pte. Ltd. in November 2006.

## CONTENTS

# OUR FOOTPRINTS

## Soup Restaurant

- AMK Hub
- Causeway Point
- Century Square
- Changi Airport T2
- City Square Mall
- Compass Point
- Hougang Mall
- Jurong Point
- Paragon
- Scottswalk
- Seah Street
- Suntec City
- Toa Payoh Entertainment Centre
- United Square
- VivoCity

## Dian Xiao Er

- AMK Hub
- Causeway Point
- Changi Airport T3
- Jurong Point
- Lot One
- Marina Square
- Tampines One
- VivoCity
- West Coast Plaza

# OUR BRANDS

## Soup Restaurant

“Soup Restaurant” is a place where diners can enjoy traditional Asian home-cooked meals in modern Western comfort. The food has its roots in the rich cultural heritage found in Singapore’s early 20th century Chinatown, tapping into well-loved recipes that has stood the test of time. Our signature dish, the “Samsui Ginger Chicken” is a tribute to the hard-working Samsui women who would make this dish to celebrate Chinese New Year. We faithfully recreate the traditional way of preparing this dish by cooking the chicken at just the right time and temperature, thus preserving the authentic taste of this dish for you to savour.

Our outlets serve traditional “Chinatown Heritage Cuisine” originating from our Managing Director, Mok Yip Peng’s family recipes. Our signature dishes include “Samsui Ginger Chicken”, “Ah Por Fan Shu Leaves”, “Ah Kon Fan Shu Leaves”, “Beggar Bowl Tofu” and various herbal soups such as “Double Boiled Dried Scallop with Black Chicken Soup”, “Double Boiled Waisan & Ginseng Root Chicken Soup” and others. Focusing on simple yet delicious recipes and maintaining a unique ambience at each outlet helps to create nostalgic memories.

## Dian Xiao Er

“Dian Xiao Er” offers a range of Chinese cuisines specialising in serving herbal roasted ducks. The signature dishes are “Herbal Roasted Duck with Angelica Herb”, “Herbal Roasted Duck with Ten Wonder Herb” and “Herbal Roasted Duck with Wild Ginseng”.

The ambience at Dian Xiao Er is intentionally planned to be rustic and raw with the careful selection of materials to complement the freshness of the herbal roast ducks which are prepared and roasted in the display kitchen daily. Customers can expect to experience a choice of dining ambience varying from dining inside a traditional Chinese inn to dining inside a rustic timber shed at the foot of a stone cliff.

Our Herbal Roast Duck is so special as we choose only Cherry Valley ducks of the finest quality. We also take great care in the selection and preparation of our ingredients. Our ducks are prepared and freshly roasted daily. The ducks are first marinated with a myriad of herbs and spices for hours, thereafter roasted with appropriate temperature to keep them from drying out in the oven. A duck roasted in this manner is crisp to the touch and golden brown in appearance. Its flesh is both tender and juicy together with an overwhelming herbs fragrance. It is definitely a mouth-watering temptation impossible to resist.

# FINANCIAL HIGHLIGHTS

| | FY2005<br>S$'000 | FY2006<br>S$'000 | FY2007<br>S$'000 | FY2008<br>S$'000 | FY2009<br>S$'000 |
|---|---|---|---|---|---|
| **Revenue and Profitability** | | | | | |
| Revenue | 19,963 | 21,893 | 33,985 | 39,953 | 45,055 |
| Profit before income tax | 1,855 | 2,857 | 4,570 | 5,520 | 4,251 |
| Profit attributable to equity holders | 1,371 | 2,208 | 3,226 | 3,410 | 2,747 |
| **Financial Position** | | | | | |
| Total assets | 6,911 | 8,672 | 17,563 | 21,660 | 25,261 |
| Total liabilities | 3,485 | 3,690 | 4,769 | 6,514 | 5,979 |
| Equity attributable to equity holders | 3,426 | 4,634 | 11,912 | 13,331 | 16,840 |
| **Cash Flow Position** | | | | | |
| Net cash from operating activities | 3,690 | 2,008 | 5,952 | 5,860 | 4,904 |
| Net cash used in investing activities | (87) | (688) | (1,965) | (2,169) | (2,641) |
| Net cash (used in)/from financing activities | (2,140) | (158) | 3,824 | (1,001) | (473) |
| Cash and cash equivalents | 2,511 | 3,672 | 11,483 | 14,173 | 15,963 |
| **Per Share (Cents)*** | | | | | |
| Earnings per share | 0.46 | 0.74 | 1.08 | 1.14 | 0.92 |
| Net assets per share | 1.15 | 1.67 | 4.29 | 5.07 | 6.46 |
| **Financial Ratios** | | | | | |
| Net profit margin (%) | 9.3 | 13.0 | 13.4 | 13.8 | 9.4 |
| Return on shareholders' equity (%) | 40.0 | 47.7 | 27.1 | 25.6 | 16.3 |

*Based on 298,500,000 ordinary shares in issue as at 31 December 2009.

# CHAIRMAN'S MESSAGE

## Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present our annual report for the financial year ended 31 December 2009 ("FY2009").

### Business Review

The year under review was a challenging one for many businesses and I am pleased to report that we managed to achieve record revenue and remained profitable.

The Group's revenue grew 12.8% to S$45.1 million in FY2009 as a result of additional sales contribution from new outlets which commenced operations from December 2008. However, revenue from existing outlets dropped by 9.4% due to weaker consumer spending amidst the economic downturn and intense competition in the food and beverage industry.

The Group's earnings per share dropped slightly from 1.14 cents per share for the financial year ended 31 December 2008 ("FY2008") to 0.92 cents per share in FY2009 based on 298,500,000 shares as at 31 December 2009 due to weaker sales and lower gross margins. Net tangible assets per share rose by 1.39 cents per share to 6.46 cents per share as at 31 December 2009.

Our expansion during the year included three new outlets at both revamped and new sub-urban shopping malls with heavy human traffic flows such as West Coast Plaza, Tampines One and City Square Mall. Our "Soup Restaurant" outlet at Seah Street was refurbished to give customers a more authentic and comfortable ambience in April 2009. One outlet was re-located and another was closed due to the landlords' decision to revamp the malls. With the opening of Resorts World at Sentosa in early 2010, we believe that our "Soup Restaurant" and "Dian Xiao Er" outlets at VivoCity will be able to tap on the opportunities presented by the upcoming attractions.

To attract more customers to patronise our outlets, we came up with various marketing strategies such as offering value-for-money lunch treats and collaborating with credit card companies to offer promotional discounts to credit card holders. In April 2009, we also introduced our Shareholder Privilege Card scheme to offer better value and discounts to our shareholders who are also our loyal customers.

As for regional expansion, our subsidiary, Y.E.S F & B Group Pte. Ltd. ("YES") which operates the "Dian Xiao Er" chain of restaurants, had entered into a master franchise agreement with P.T. Jaya Indomatrix Abadi to operate a franchise in Indonesia. The first outlet was opened in December 2009 at Taman Anggrek, Jakarta.

### Move to the Main Board

FY2009 marked a significant milestone for us as the Company has been transferred from Catalist to the Main Board of the Singapore Exchange Securities Trading Limited ("SGX-ST") on 18 December 2009. We believe that the upgrade to the Main Board will enhance our image in Singapore as well as provide a stronger platform for us to expand into overseas markets. It will also expose us to a broader group of institutional investors and research houses.


> FY2009 marked a significant milestone for us as the Company has been transferred from Catalist to the Main Board of the Singapore Exchange Securities Trading Limited ("SGX-ST") on 18 December 2009.

## Dividends

I am also pleased to announce that the Board of Directors is proposing a final dividend of 0.35 cent per ordinary share to reward our shareholders which represents about 38.0% of the financial year's profit attributable to equity holders. The proposed dividends are subject to the approval of our shareholders to be obtained during the upcoming Annual General Meeting.

## Outlook

With the current economy showing signs of recovery, we remain cautiously optimistic about our operating prospects for the year ahead. We will continue to improve our same store sales, expand our product range and improve our services to stay competitive in the food and beverage market. We will adopt a prudent and cautious approach in seeking new opportunities for continuing growth and continue to exercise prudence in cost management.

## Appreciation

In conclusion, I would like to offer my heartfelt thanks to our shareholders, customers, business partners, suppliers and particularly our employees for their continued support during these challenging times.

Mok Yip Peng
Chairman and Managing Director
30 March 2010

# OPERATING AND FINANCIAL REVIEW


## Revenue and Profitability

The Group's revenue rose to S$45.1 million in FY2009, an increase of S$5.1 million or 12.8% from S$40.0 million in FY2008, boosted mainly by the additional contributions from four new "Dian Xiao Er" outlets which commenced operations since December 2008. Revenue from "Dian Xiao Er' chain of restaurants continued to constitute an significant portion of the Group's revenue and was 47.0% in the financial year under review, compared to 36.6% in the previous year. The two new "Soup Restaurant" outlets in VivoCity and City Square Mall did not have a material impact on the Group's revenue for FY2009 as they only commenced operations in the last quarter of the year.

Revenue from existing outlets decreased by S$3.7 million or 9.4% due to a drop in number of customers as well as lower per head spending as consumers were more cautious in their spending during the economic downturn.

To attract new customers and increase the frequency of repeat visits, various marketing strategies such as promotional offers and discounts were introduced, resulting in an increase of 2.0 percentage points in purchases and other consumables to 25.9% of revenue in FY2009. The higher purchases and other consumables were also caused by rising prices of certain raw materials due to adverse weather conditions.

With the increase headcount associated with the opening of new outlets during the year, employee benefits expenses rose to S$15.5 million or 22.0% from S$12.7 million in FY2008, despite a wage freeze for the year. Depreciation of plant and equipment rose slightly by S$0.4 million to S$1.8 million in FY2009 which was in line with the addition of fixed assets acquired for the new outlets as well as the refurbishment of outlets and facilities. As business activities had increased during the year, other expenses rose by S$2.1 million or 18.7% to S$13.2 million in FY2009 as a result of higher rental rates and utility charges, initial start-up costs of new outlets and fixed assets written off due to the re-location and closing of outlets due to landlords' decision to revamp the malls.

Other income which comprised of interest income, collaboration fee income and miscellaneous income, increased by S$1.0 million to S$1.4 million in FY2009 mainly due to government grant of S$0.7 million from Jobs Credit Scheme which had been extended to June 2010.

Thus, the Group reported a profit before income tax of S$4.3 million in FY2009, which was lower by S$1.2 million than S$5.5 million in the previous year.

## Financial and Cash Flow Position

Plant and equipment increased by S$1.3 million to S$5.6 million in FY2009 with the acquisition of new assets for the new outlets opened during the year and improvements made to the existing outlets and facilities. Trade and other receivables was higher by S$0.4 million at S$3.6 million, compared to S$3.2 million in FY2008 mainly due to additional security deposits for the new outlets.

The Group's financial position was strongly supported by a cash and cash equivalents of S$16.0 million with S$11.0 million in interest-bearing accounts, up from S$14.2 million in FY2008. It was further supported by an improved current ratio of 3.6 in FY2009 compared to 2.8 in the previous year.

Trade and other payables increased to S$4.4 million in FY2009 while there was a slight increase in provisions by S$0.2 million in the year as a result of additional provisions for restorement costs made for the new and existing outlets. Current income tax payable dropped by S$0.5 million in FY2009 due to lower profits made for the year under review.

The increase in share capital to S$6.6 million as at 31 December 2009 was due to the right issue of 199,000,000 new ordinary shares amounting to S$1.8 million on the basis of two rights shares for every one existing share in the capital of the Company in February 2009. The Group also paid out a special and final dividend of S$2.0 million to equity holders during the year. As such, total attributable to equity holders surged to S$16.8 million as at 31 December 2009, together with the current year profits of S$2.7 million.

# 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 18 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 nine 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. He is also appointed the Non-Executive Director of one of the subsidiary company, Y.E.S F & B Group Pte. Ltd. with effect from 1 April 2009. Mr Then has over 20 years of experience in the petroleum industry and sits on the Board of several companies. 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 also appointed the Non-Executive Director of one of the subsidiary company, Y.E.S F & B Group Pte. Ltd. with effect from 1 April 2009. He is the Chairman of SIM University's Board of Trustees and the Chairman of NSL 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 Singapore International Foundation. 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 before he left in 2004. He is currently the chief financial officer of Youcan Foods International Limited (a SGX-ST listed company) 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 and public listed 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.

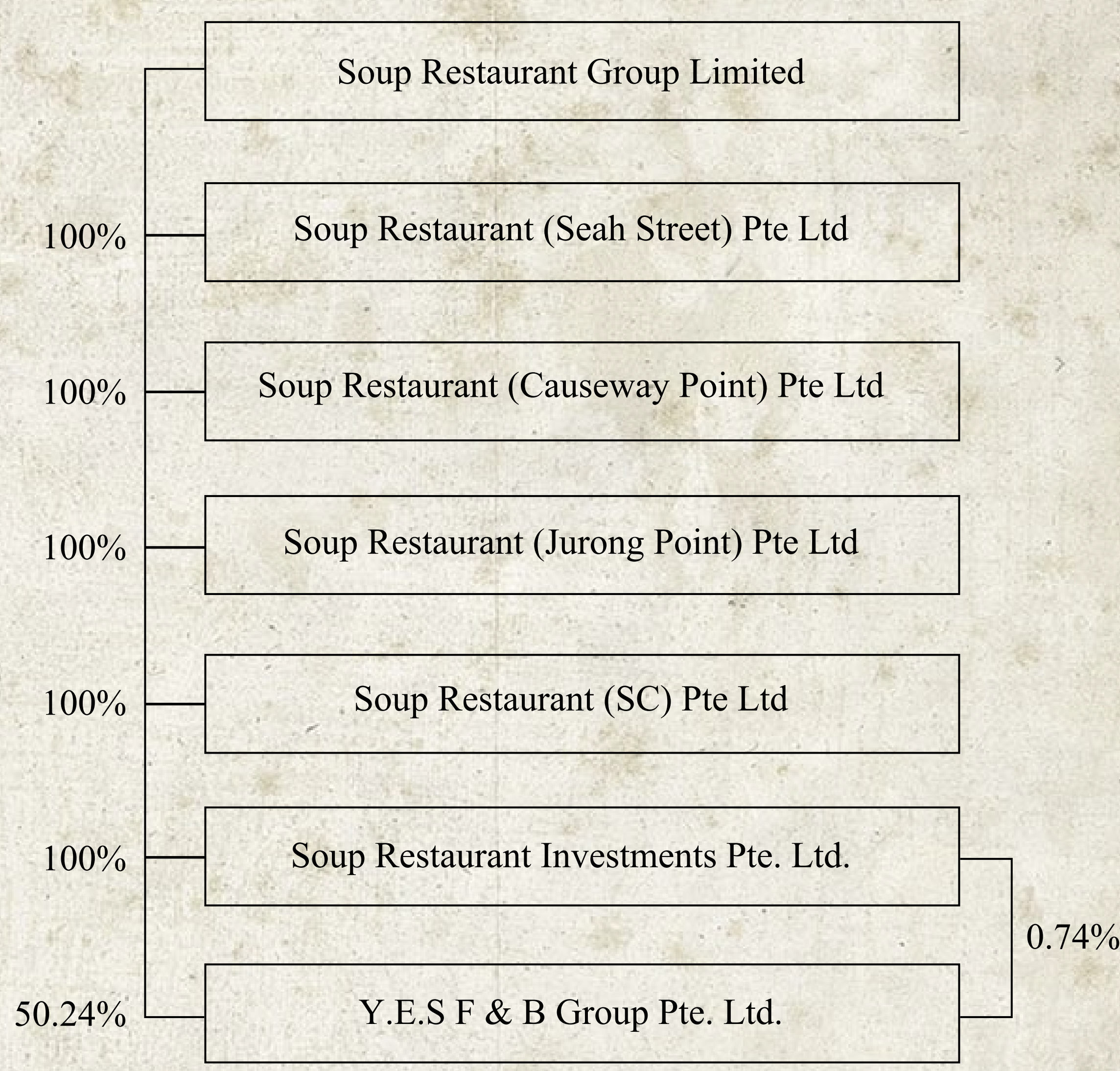
**Ng Eng Chyuan** *(Senior Manager, Kitchen Management)*
Mr Ng, is responsible for the kitchen management of the Group. He has over 10 years of experience in operations, human resource and management in various service industries. Before joining the Group, he had been a food and beverage executive with 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. He also obtained a Master of Business Administration (Entrepreneurial Management) from Entrepreneurship Institute Australia in 2009.

**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 STRUCTURE



# CORPORATE INFORMATION

## Board of Directors

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

## 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
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623

## Auditors

BDO LLP
Certified Public Accountants
19 Keppel Road
#02-01 Jit Poh Building
Singapore 089058
Lew Wan Ming (Partner-in-charge)
(Appointed since financial year ended 31 December 2008)

## Internal Auditor

Horwath First Trust Risk Advisory Pte Ltd
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 |

# CORPORATE GOVERNANCE REPORT

The Board of Directors is committed to uphold the highest standards of corporate governance and confirms compliance with the Code of Corporate Governance, except for Principle 3 where the Chairman and CEO should be separate persons for the reason explained below.

This report outlines the Company's corporate governance practices and activities for the financial year ended 31 December 2009.

**(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.

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 2009 are disclosed below:

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

Matters that require the Board's approval include the approval of results announcements, annual reports and financial statements, declaration of interim dividends and proposal of final dividends and corporate strategies as well as the authorisation of major transactions and 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.

**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.

The Board is of the view that, given the scope and nature of the operations of the Group and the strong element of independence of the Board, it is not necessary to separate the functions of Chairman and Chief Executive Officer.

**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 service 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.

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 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.

**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 his 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 package 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 2009 is as follows:

| **DIRECTORS** **Remuneration Band** | **Salary (i)** % | **Bonus** % | **Performance Bonus** % | **Directors' Fee (ii) & (iii)** % | **Total** % |
|---|---|---|---|---|---|
| ***S$250,000 and above*** | | | | | |
| Mok Yip Peng | 69 | 6 | 25 | – | 100 |
| Wong Wei Teck | 69 | 6 | 21 | 4 | 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 5 key executives' remuneration for the year ended 31 December 2009 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 | 88 | 12 | – | – | 100 |
| Ng Eng Chyuan | 88 | 12 | – | – | 100 |
| Chan Chee Hung | 85 | 12 | – | 3 | 100 |
| Toh Yen Sang (iv) | 85 | 12 | – | 3 | 100 |
| Audrey Ng Wee Yen | 88 | 12 | – | – | 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, Professor Cham Tao Soon, Then Khek Koon, 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.

## (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 approve the remuneration and terms of engagement of the external auditors;

(f) review the external auditors' reports;

(g) review the co-operation given by the Company's officers to the external auditors;

(h) review and approve interested person transactions, if any; and

(i) 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.

**Principle 12: Internal Controls**

As part of the statutory audit, the external auditors, BDO LLP, 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 continued to engage Horwath First Trust Risk Advisory Pte Ltd as internal auditors to review the internal control system of the Group. The internal auditors will report their findings to the Audit Committee periodically and work closely with the external auditors.

Non-compliance and internal control weaknesses noted during the internal audit and the recommendations thereof are reported to the Audit Committee as part of the review of the Group's internal control system. To ensure the adequacy of the internal audit function, the Audit Committee reviews the internal auditors' scope of work on an annual basis.

The Audit Committee and the Board are satisfied that there are adequate internal controls in the Group.

## (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.

# CORPORATE GOVERNANCE REPORT

**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 Group'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.

**MATERIAL CONTRACTS**
**(Listing Manual Rule 1207(8))**

There is no material contract entered into by the Company and its subsidiary companies involving the interests of the CEO, Director or controlling shareholder, either still subsisting at the end of the financial year or if not then subsisting, entered into since the end of the previous financial year.

**INTERESTED PERSON TRANSACTIONS**
**(Listing Manual Rule 1207(16)&(17))**

The Company has implemented a set of procedures for the identification of interested persons and the recording of interested person transactions to be reviewed by the Audit Committee.

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.

There was no transaction with interested persons during the financial year ended 31 December 2009 that exceeded the stipulated threshold as specified in 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 PROCEEDS FROM THE INITIAL PUBLIC OFFERING ("IPO") OF ORDINARY SHARES IN THE CAPITAL OF THE COMPANY**
**(Listing Manual Rule 1207(19))**

The Company refers to the net IPO proceeds amounted to S$4.1 million raised from the IPO of its shares which had been fully utilised as at 15 September 2009. The use of the net proceeds is summarised as follows:

(a) approximately S$0.8 million for business expansion;
(b) approximately S$0.5 million for refurbishment of outlets and facility; and
(c) approximately S$2.8 million as working capital.

**USE OF PROCEEDS FROM RIGHTS ISSUE**
**(Listing Manual Rule 1207(19))**

The Company refers to the renounceable non-underwritten rights issue of up to 199,000,000 new ordinary shares in the capital of the Company (the "Rights Issue") which was listed and quoted on the Official List of the SGX-Catalist on 3 February 2009. The net procceds of approximately S$1.8 million had been fully utilised as working capital on 1 April 2009.

Annual Report 2009

# Financial Contents

# REPORT OF THE DIRECTORS

The Directors of the Company present their report to the members together with the audited financial statements of the Group for the financial year ended 31 December 2009 and the statement of financial position of the Company as at 31 December 2009 and the statement of changes in equity of the Company for the financial year ended 31 December 2009.

## 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

Chua Koh Ming

Jong Voon Hoo

Saw Meng Tee

## 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:

| | Shareholdings registered in the name of Directors | | Shareholdings in which Directors are deemed to have an interest | |
|---|---|---|---|---|
| | **Balance as at 1.1.2009** | **Balance as at 31.12.2009** | **Balance as at 1.1.2009** | **Balance as at 31.12.2009** |
| **The Company** | **Number of ordinary shares** | | | |
| Mok Yip Peng | 18,561,200 | 55,683,600 | – | – |
| Wong Wei Teck | 13,697,300 | 41,091,900 | – | – |
| Then Khek Koon | 5,586,000 | – | 5,729,000 | 33,945,000 |
| Professor Cham Tao Soon | 100,000 | 300,000 | – | – |
| Chua Koh Ming | 100,000 | 300,000 | – | – |
| Jong Voon Hoo | 100,000 | 300,000 | – | – |
| Saw Meng Tee | 100,000 | 300,000 | – | – |

**3. Directors' interests in shares or debentures (Continued)**

In accordance with the continuing listing requirements of the Singapore Exchange Securities Trading Limited ("SGX-ST"), the Directors of the Company state that, according to the register of the Directors' shareholdings, the Directors' interests as at 21 January 2010 in the shares of the Company have not changed from those disclosed as at 31 December 2009.

**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 which is disclosed under Section 201(8) of the Act, by reason of a contract made by the Company or by a related corporation with the Director, or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except as disclosed in the financial statements.

**5. Share options**

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

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

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

**6. Audit committee**

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

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

The Audit Committee performs the functions specified in Section 201B(5) of the Act, the SGX Listing Manual and the Code of Corporate Governance.

In performing its functions, the Audit Committee met with the Company's external and internal auditors to review the audit plans and overall scope of examination by the internal and external auditors and the reports of the internal auditors' examination and evaluation of the Group's systems of internal accounting control.

6. **Audit committee (Continued)**

The Audit Committee also reviewed the following:

- assistance provided by the Company's officers to the internal and external auditors;
- consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company prior to their submission to the Directors of the Company for adoption; and
- interested person transactions (as defined in Chapter 9 of the SGX Listing Manual).

The Audit Committee has full access to management and is given the resources required for it to discharge its functions. It has full authority and the discretion to invite any Director or executive officer to attend its meetings. The external auditors have unrestricted access to the Audit Committee.

The Audit Committee has recommended to the Board of Directors the nomination of BDO LLP, for re-appointment as external auditors of the Company at the forthcoming Annual General Meeting. The Audit Committee has carried out an annual review of non-audit services provided by the external auditors to satisfy itself that the nature and extend of such services will not prejudice the independence and objectivity of the external auditors.

7. **Auditors**

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

On behalf of the Board of Directors

**Mok Yip Peng**
Director

**Wong Wei Teck**
Director

Singapore
30 March 2010

# STATEMENT BY DIRECTORS

In the opinion of the Board of Directors,

(a) the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Singapore Companies Act, Cap. 50 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 2009 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) 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
30 March 2010

# 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 23 to 69, which comprise the statements of financial position of the Group and of the Company as at 31 December 2009, and the statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group and 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 profit and loss accounts 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 auditors' 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 auditors consider 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.

# INDEPENDENT AUDITORS' REPORT

To the Members of Soup Restaurant Group Limited

*Opinion*

In our opinion,

(a) the consolidated financial statements of the Group and the statement of financial position 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 2009 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 LLP**
Public Accountants and
Certified Public Accountants

Singapore
30 March 2010

# STATEMENTS OF FINANCIAL POSITION

As at 31 December 2009

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Note | 2009 | 2008 | 2009 | 2008 |
| | | $ | $ | $ | $ |
| **Non-current assets** | | | | | |
| Plant and equipment | 4 | 5,585,601 | 4,263,483 | 303,582 | 193,991 |
| Investments in subsidiaries | 5 | – | – | 494,161 | 494,161 |
| Intangible assets | 6 | 11,846 | – | – | – |
| | | 5,597,447 | 4,263,483 | 797,743 | 688,152 |
| **Current assets** | | | | | |
| Inventories | 7 | 53,419 | 62,271 | 53,419 | 62,271 |
| Trade and other receivables | 8 | 3,646,908 | 3,161,498 | 699,627 | 568,274 |
| Fixed deposits | 9 | 6,027,136 | 7,508,958 | 6,027,136 | 7,508,958 |
| Cash and bank balances | 9 | 9,936,388 | 6,663,944 | 5,944,375 | 3,753,119 |
| | | 19,663,851 | 17,396,671 | 12,724,557 | 11,892,622 |
| Less: | | | | | |
| **Current liabilities** | | | | | |
| Trade and other payables | 10 | 4,438,604 | 3,898,642 | 2,862,111 | 2,729,616 |
| Dividends payable | | – | 995,000 | – | 995,000 |
| Finance lease payables | 11 | – | 6,000 | – | – |
| Provisions | 12 | 560,060 | 337,381 | 72,758 | 45,714 |
| Current income tax payable | | 487,095 | 976,826 | 15,762 | 2,869 |
| | | 5,485,759 | 6,213,849 | 2,950,631 | 3,773,199 |
| **Net current assets** | | 14,178,092 | 11,182,822 | 9,773,926 | 8,119,423 |
| **Non-current liabilities** | | | | | |
| Finance lease payables | 11 | – | (33,000) | – | – |
| Deferred tax liabilities | 13 | (493,165) | (267,248) | (23,441) | (7,941) |
| | | (493,165) | (300,248) | (23,441) | (7,941) |
| **Net assets** | | 19,282,374 | 15,146,057 | 10,548,228 | 8,799,634 |
| **Capital and reserves** | | | | | |
| Share capital | 14 | 6,592,761 | 4,786,556 | 6,592,761 | 4,786,556 |
| Accumulated profits | | 10,246,895 | 8,544,827 | 3,955,467 | 4,013,078 |
| **Equity attributable to owners of the Company** | | 16,839,656 | 13,331,383 | 10,548,228 | 8,799,634 |
| Minority interests | | 2,442,718 | 1,814,674 | – | – |
| **Total equity** | | 19,282,374 | 15,146,057 | 10,548,228 | 8,799,634 |

*The accompanying notes form an integral part of these financial statements.*

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Financial Year Ended 31 December 2009

| | Note | 2009 $ | 2008 $ |
|---|---|---|---|
| Revenue | 15 | 45,055,343 | 39,952,858 |
| Other income | 16 | 1,369,282 | 383,159 |
| Changes in inventories | | (8,852) | 9,073 |
| Purchases and other consumables | | (11,650,638) | (9,561,270) |
| Employee benefits expenses | 17 | (15,463,084) | (12,679,032) |
| Depreciation of plant and equipment | 4 | (1,805,253) | (1,424,432) |
| Other expenses | | (13,236,749) | (11,151,917) |
| Finance costs | 18 | (8,776) | (9,198) |
| Profit before income tax | 19 | 4,251,273 | 5,519,241 |
| Income tax expense | 20 | (676,411) | (1,177,228) |
| Net profit for the year, representing total comprehensive income for the year | | 3,574,862 | 4,342,013 |
| Profit for the year and total comprehensive income attributable to: | | | |
| - Owners of the Company | | 2,746,818 | 3,409,364 |
| - Minority interests | | 828,044 | 932,649 |
| | | 3,574,862 | 4,342,013 |
| **Earnings per share attributable to owners of the Company** (cents) | 21 | | |
| Basic | | 0.98 | 3.43 |
| Diluted | | 0.98 | 3.43 |

*The accompanying notes form an integral part of these financial statements.*

# STATEMENTS OF CHANGES IN EQUITY

For the Financial Year Ended 31 December 2009

| Group | Note | Equity attributable to owners of the Company | | | Minority interests | Total equity |
|---|---|---|---|---|---|---|
| | | Share capital | Accumulated profits | Total | | |
| | | $ | $ | $ | $ | $ |
| Balance at 1.1.2009 | | 4,786,556 | 8,544,827 | 13,331,383 | 1,814,674 | 15,146,057 |
| Total comprehensive income for the year | | – | 2,746,818 | 2,746,818 | 828,044 | 3,574,862 |
| Issuance of new shares | 14 | 1,990,000 | – | 1,990,000 | – | 1,990,000 |
| Share issue expenses | 14 | (183,795) | – | (183,795) | – | (183,795) |
| Dividends | 22 | – | (1,044,750) | (1,044,750) | – | (1,044,750) |
| Dividends paid to minority interests | | – | – | – | (200,000) | (200,000) |
| Balance at 31.12.2009 | | 6,592,761 | 10,246,895 | 16,839,656 | 2,442,718 | 19,282,374 |
| Balance at 1.1.2008 | | 4,786,556 | 7,125,463 | 11,912,019 | 882,025 | 12,794,044 |
| Total comprehensive income for the year | | – | 3,409,364 | 3,409,364 | 932,649 | 4,342,013 |
| Dividends | 22 | – | (1,990,000) | (1,990,000) | – | (1,990,000) |
| Balance at 31.12.2008 | | 4,786,556 | 8,544,827 | 13,331,383 | 1,814,674 | 15,146,057 |

*The accompanying notes form an integral part of these financial statements.*

# STATEMENTS OF CHANGES IN EQUITY

For the Financial Year Ended 31 December 2009

| Company | Note | Share capital $ | Accumulated profits $ | Total $ |
|---|---|---|---|---|
| Balance at 1.1.2009 | | 4,786,556 | 4,013,078 | 8,799,634 |
| Total comprehensive income for the year | | – | 987,139 | 987,139 |
| Issuance of shares | 14 | 1,990,000 | – | 1,990,000 |
| Share issue expenses | 14 | (183,795) | – | (183,795) |
| Dividends | 22 | – | (1,044,750) | (1,044,750) |
| Balance at 31.12.2009 | | 6,592,761 | 3,955,467 | 10,548,228 |
| Balance at 1.1.2008 | | 4,786,556 | 4,246,514 | 9,033,070 |
| Total comprehensive income for the year | | – | 1,756,564 | 1,756,564 |
| Dividends | 22 | – | (1,990,000) | (1,990,000) |
| Balance at 31.12.2008 | | 4,786,556 | 4,013,078 | 8,799,634 |

*The accompanying notes form an integral part of these financial statements.*

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the Financial Year Ended 31 December 2009

| | Note | 2009<br>$ | 2008<br>$ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit before income tax | | 4,251,273 | 5,519,241 |
| Adjustments for: | | | |
| Amortisation of intangible assets | 6 | 1,316 | – |
| Depreciation of plant and equipment | 4 | 1,805,253 | 1,424,432 |
| Interest expense | 18 | 8,776 | 9,198 |
| Interest income | | (36,908) | (114,132) |
| Net loss on disposal of plant and equipment | 19 | 13,873 | 11,484 |
| Plant and equipment written off | 19 | 61,999 | 32,439 |
| Reversal of allowance for impairment in value of non-trade receivables | | – | (20,000) |
| Operating profit before working capital changes | | 6,105,582 | 6,862,662 |
| Working capital changes: | | | |
| Inventories | | 8,852 | (9,073) |
| Trade and other receivables | | (485,410) | (378,534) |
| Trade and other payables | | 183,696 | 94,830 |
| Cash generated from operations | | 5,812,720 | 6,569,885 |
| Income taxes paid | | (940,225) | (820,882) |
| Interest paid | | (5,096) | (2,870) |
| Interest received | | 36,908 | 114,132 |
| Net cash from operating activities | | 4,904,307 | 5,860,265 |
| **Cash flows from investing activities** | | | |
| Proceeds from disposal of plant and equipment | | 30,000 | 650 |
| Purchase of plant and equipment | 4 | (2,657,978) | (2,170,222) |
| Purchase of intangible assets | 6 | (13,162) | – |
| Net cash used in investing activities | | (2,641,140) | (2,169,572) |
| **Cash flows from financing activities** | | | |
| Dividends paid | | (2,039,750) | (995,000) |
| Dividends paid to minority interests | | (200,000) | – |
| Net proceeds from issuance of new shares | 14 | 1,806,205 | – |
| Repayments of finance lease obligations | | (39,000) | (6,000) |
| Net cash used in financing activities | | (472,545) | (1,001,000) |
| Net change in cash and cash equivalents | | 1,790,622 | 2,689,693 |
| Cash and cash equivalents at beginning of financial year | | 14,172,902 | 11,483,209 |
| Cash and cash equivalents at end of financial year | 9 | 15,963,524 | 14,172,902 |

*The accompanying notes form an integral part of these financial statements.*

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2009

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

## 1. General corporate information

The statement of financial position 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 2009 were authorised for issue in accordance with a Directors' resolution dated 30 March 2010.

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.

On 15 December 2009, the Company was granted in-principle approval from the Singapore Exchange Securities Trading Limited (the "SGX-ST") for the transfer of the listing and quotation of its shares from Catalist to the Main Board of SGX-ST. The Company commenced listing and quotation of its shares on the Main Board of the SGX-ST on 18 December 2009.

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

## 2. Summary of significant accounting policies

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

The financial statements are prepared in accordance with the provisions of the Singapore Companies Act, Cap. 50 and Singapore Financial Reporting Standards ("FRS") including the related Interpretations of FRS ("INT 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 statement of financial position and statement of changes in equity of the Company are presented in Singapore dollar, which is the functional and presentation currency of the Company and the presentation currency for the consolidated financial statements.

**2. Summary of significant accounting policies (Continued)**

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

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 end of the financial year, 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.

In the current financial year, the Group and the Company adopted all the new or revised FRS and 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 disclosed below:

**FRS 1 (2008) Presentation of Financial Statements**

The Group and the Company has adopted FRS 1 (2008) for annual periods beginning on or after 1 January 2009. FRS 1 (2008) requires the Group and the Company to present all changes in equity arising from transactions with non-owners in a statement of comprehensive income separately from those equity changes arising from transactions with owners in their capacity as owners to be presented in the statement of changes in equity. FRS 1 (2008) also requires the Group to disclose income tax relating to each component of other comprehensive income and to disclose reclassification adjustments relating to components of other comprehensive income. Where the Group and the Company restates or reclassifies comparative information, the Group and the Company will be required to present a restated balance as of the beginning of the earliest comparative period in addition to the current requirement to present the statements of financial position as at the end of the current period and comparative period. The Group has chosen to present both the income statement and the statement of comprehensive income in a consolidated statement of comprehensive income. No restatement is required for the comparatives for 2008.

2. **Summary of significant accounting policies (Continued)**

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

**FRS 108 Operating Segments**

The Group has adopted FRS 108 for annual periods beginning on or after 1 January 2009. FRS 108 replaces FRS 14 Segment Reporting and requires a "management approach", under which segment information is presented on the same basis as that used for internal reporting purposes to the chief operating decision maker. There is no significant change in the presentation of the reportable segments from that reported in 2008.

**INT FRS 113 – Customer Loyalty Programmes**

The interpretation address accounting for loyalty award credits granted to customer who buy other goods or services, and the accounting for the entity's obligations to provide free or discounted goods or services to customers when the award credits are redeemed.

Loyalty awards should be viewed as separately identifiable goods or services for which customers are implicitly paying and measured based on the allocated proceeds which represent the value of the award credits. The proceeds allocated to the award credits are deferred until the entity fulfils its obligations by supplying the fee or discounted goods or services upon the redemption of the award credits. The adoption of INT FRS 113 has no material impact on the financial statements of the Group and the Company.

*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 24 | - Related Party Disclosures | 1 January 2011 |
| FRS 27 | - Consolidated and Separate Financial Statements | 1 July 2009 |
| FRS 32 | - Amendment to FRS 32 Financial Instruments: Disclosure and Presentation – Classification of Rights Issues | 1 February 2010 |
| FRS 39 | - Amendments to FRS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items | 1 July 2009 |
| FRS 39 and INT FRS 109 | - Amendments to INT FRS 109 and FRS 39 – Embedded Derivatives | 30 June 2009 |
| FRS 101 | - First-Time Adoption of Financial Reporting Standards | 1 July 2009 |

**2. Summary of significant accounting policies (Continued)**

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

| | | Effective date (annual periods beginning on or after) |
|---|---|---|
| FRS 101 | - Amendments to FRS 101 First-Time Adoption of Financial Reporting Standards – Additional Exemption for First Time Adopters | 1 January 2010 |
| FRS 102 | - Amendments to FRS 102 Share-based Payment – Group Cash-settled Share-based Payment Transactions | 1 January 2010 |
| FRS 103 | - Business Combinations | 1 July 2009 |
| INT FRS 114 | - Amendments to INT FRS 114 – Prepayments of a Minimum Funding Requirement | 1 January 2011 |
| INT FRS 117 | - Distributions of Non-cash Assets to Owners | 1 July 2009 |
| INT FRS 118 | - Transfer of Assets from Customers | 1 July 2009 |
| INT FRS 119 | - Extinguishing Financial Liabilities with Equity Instruments | 1 July 2010 |

Consequential amendments were also made to various standards as a result of these new/revised standards.

The management anticipates that the adoption of the above FRS and INT FRS in future periods, if applicable, will have no material impact on the financial statements of the Group and the Company in the period of their initial application, except as disclosed below.

**FRS 27 (2009) Consolidated and Separate Financial Statements**

FRS 27 (2009) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. In the event when control is lost, any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. The Group will apply FRS 27 (2009) prospectively to transactions with non-controlling interests from 1 January 2010.

**FRS 103 (2009) Business Combinations**

FRS 103 (2009) applies the acquisition method with certain significant changes from the purchase method referred to in FRS 103 (2006). For example, all considerations given to purchase a business are to be recorded at fair value at the acquisition date, with contingent considerations classified as debt subsequently re-measured through profit or loss if the fair value changes were to take place after the measurement period. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the fair value of the acquiree's net assets. All acquisition-related costs should be expensed. The Group will apply FRS 103 (2009) prospectively to all business combinations taking place from 1 January 2010.

**2. Summary of significant accounting policies (Continued)**

**(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.

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 statement of financial position of the Group within equity, separately from the Company's owners, and are separately disclosed in the consolidated statement of comprehensive income of the Group.

**(c) 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 plant and equipment 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.

**2. Summary of significant accounting policies (Continued)**

**(c) Plant and equipment (Continued)**

Subsequent expenditure relating to the plant and equipment that has already been recognised is added to the carrying amount of the plant and equipment when it is probable that the future economic benefits, in excess of the standard of performance of the plant and equipment 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 profit or loss.

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, 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.

**(d) 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 statement of financial position less impairment in value, if any.

2. **Summary of significant accounting policies (Continued)**

(e) **Intangible assets**

Trademarks

Trademarks are stated at cost less accumulated amortisation and accumulated impairment in value, if any. These costs are amortised to profit or loss using the straight-line method over 10 years, which is the periods of contractual rights.

(f) **Impairment of tangible and intangible assets**

The carrying amounts of the Group's and the Company's tangible and intangible 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 profit or loss 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.

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 profit or loss unless the asset is carried at revalued amount, in which case the reversal in excess of impairment in value recognised in profit or loss 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.

**2. Summary of significant accounting policies (Continued)**

**(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. The classification depends on the purpose of which the assets were acquired. The management determines the classification of their financial assets at initial recognition and re-evaluate this designation at the end of the financial year, where allowed and appropriate.

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", "fixed deposits" and "cash and bank balances" on the statements of financial position.

*Recognition and derecognition*

Financial assets are recognised on the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument.

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

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

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

*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.

**2. Summary of significant accounting policies (Continued)**

**(h) Financial assets (Continued)**

*Initial and subsequent measurement* (Continued)

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".

*Impairment*

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

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 profit or loss.

If, in a subsequent period, the amount of the impairment in value decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment in value is reversed either directly or by adjusting an allowance account. Any subsequent reversal of an impairment in value is recognised in profit or loss, to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date.

**(i) Financial liabilities**

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

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 profit or loss when the liabilities are derecognised as well as through the amortisation process.

2. **Summary of significant accounting policies (Continued)**

**(i) Financial liabilities (Continued)**

*Recognition and derecognition*

Financial liabilities are recognised on the statement of financial position 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 profit or loss.

**(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 management's best estimate of the expenditure required to settle the obligation at the end of the financial year, 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 accruals basis.

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

**2. Summary of significant accounting policies (Continued)**

**(m) Revenue recognition (Continued)**

Master franchise fee is recognised upon the grant of rights, completion of the designated phases of the franchise setup and transfer of know-how to the franchisee in accordance with the terms stated in the franchise agreement. Unit franchise fee is recognised when the right to receive payment has been established, which generally coincides with the commencement of operations of each restaurant.

**(n) Employee benefits**

*Defined contribution plans*

Contributions to defined contribution plans are recognised as an expense in profit or loss 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 end of the financial year.

**(o) Government grant – Jobs Credit Scheme**

The Singapore government introduced a cash grant known as the Jobs Credit Scheme in its Budget for 2009 in a bid to help businesses preserve jobs in the economic downturn. The amounts received for jobs credit are to be paid to eligible employers in 2009 in four payments and the amount an employer can receive would depend on the fulfillment of the conditions as stated in the Scheme.

The Group recognises the amounts received for jobs credit at their fair value as other income in the month of receipt of these grants from the government.

**(p) Leases**

*When the Group and the Company are the lessee of 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 profit or loss.

Contingent lease payments are recognised as an expense in profit or loss in the financial year in which they are incurred.

**2. Summary of significant accounting policies (Continued)**

**(p) Leases (Continued)**

Capitalised leased asset are depreciated over the shorter of the 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.

*When the Group and the Company are the lessee of operating leases*

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 profit or loss on a straight-line basis over the period of the lease.

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

Contingent rents are recognised as an expense in profit or loss in the financial year in which they are incurred.

**(q) Borrowing costs**

Borrowing costs are recognised as an expense in profit or loss in the financial year in which they are incurred. Borrowing costs are recognised on a time-proportion basis in profit or loss 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 profit or loss 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 substantively enacted by the end of the financial year, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is provided, using liability method, for temporary differences at the end of the financial year 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 substantively enacted by the end of the financial year.

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 the end of each financial year and reduced to the extent that it is no longer probable that the related tax benefit will be realised.

**2. Summary of significant accounting policies (Continued)**

**(r) Income tax expense (Continued)**

Unrecognised deferred tax assets are reassessed at the end of each financial year 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 and the Company intend 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.

**3. Critical accounting judgements and key sources of estimation uncertainty**

*Critical judgements made in applying the accounting policies*

In the application of 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.

Impairment of investment or financial assets

The Group and the Company follow the guidance of FRS 36 or FRS 39 on determining when an investment or financial asset is 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 end of the financial year, 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.

## 3. Critical accounting judgements and key sources of estimation uncertainty (Continued)

*Key sources of estimation uncertainty* (Continued)

(i) Depreciation of plant and equipment

The plant and equipment are depreciated on a straight-line method over their useful lives. The management estimates the useful lives of the plant and equipment to be within 1 to 10 years. The carrying amounts of the Group's and the Company's plant and equipment at 31 December 2009 were $5,585,601 (2008: $4,263,483) and $303,582 (2008: $193,991) respectively. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of the plant and equipment, therefore future depreciation charges could be revised.

(ii) Allowance for impairment in value of trade and other 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 2009 were $3,646,908 (2008: $3,161,498) and $699,627 (2008: $568,274) respectively.

(iii) Inventory valuation method

Inventory is valued at the lower of actual cost or market price. Cost is determined on a "first-in, first-out" method. Market price is generally the merchandise's selling price quoted from the market of similar items. Management reviews the Group's and the Company's inventory levels in order to identify slow-moving and obsolete merchandise and identifies items of inventory which have a market price that is lower than its carrying amount. Management then estimates the amount of inventory loss as allowance for impairment in value on inventory. The carrying amount of the Group's and the Company's inventory at 31 December 2009 was $53,419 (2008: $62,271) and allowance for impairment in value on inventory was $Nil (2008: $Nil).

(iv) Income tax expense

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 2009 were $487,095 (2008: $976,826) and $15,762 (2008: $2,869) respectively. The carrying amounts of the Group's and the Company's deferred tax liabilities at 31 December 2009 were $493,165 (2008: $267,248) and $23,441 (2008: $7,941) respectively.

**4. Plant and equipment**

| Group | Air-conditioners $ | Computer $ | Electrical equipment $ | Furniture and fittings $ | Kitchen equipment $ | Motor vehicles $ | Office equipment $ | Renovation $ | Total $ |
|---|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | | |
| Balance at 1.1.2009 | 731,082 | 220,035 | 682,248 | 840,458 | 1,804,352 | 191,535 | 72,729 | 3,734,277 | 8,276,716 |
| Additions | 255,794 | 148,814 | 280,175 | 481,798 | 627,906 | – | 9,750 | 1,429,006 | 3,233,243 |
| Disposals | – | – | – | – | (58,295) | (67,988) | – | – | (126,283) |
| Written off | (40,350) | – | (56,884) | (58,376) | (36,909) | – | (4,194) | (309,694) | (506,407) |
| Balance at 31.12.2009 | 946,526 | 368,849 | 905,539 | 1,263,880 | 2,337,054 | 123,547 | 78,285 | 4,853,589 | 10,877,269 |
| **Accumulated depreciation** | | | | | | | | | |
| Balance at 1.1.2009 | 244,274 | 84,798 | 289,483 | 407,644 | 743,334 | 117,103 | 37,367 | 2,089,230 | 4,013,233 |
| Depreciation for the financial year | 131,092 | 102,547 | 134,909 | 147,544 | 309,466 | 12,830 | 15,360 | 951,505 | 1,805,253 |
| Disposals | – | – | – | – | (58,046) | (24,364) | – | – | (82,410) |
| Written off | (29,754) | – | (39,800) | (43,173) | (19,252) | – | (2,735) | (309,694) | (444,408) |
| Balance at 31.12.2009 | 345,612 | 187,345 | 384,592 | 512,015 | 975,502 | 105,569 | 49,992 | 2,731,041 | 5,291,668 |
| **Net book value** | | | | | | | | | |
| Balance at 31.12.2009 | 600,914 | 181,504 | 520,947 | 751,865 | 1,361,552 | 17,978 | 28,293 | 2,122,548 | 5,585,601 |

4. **Plant and equipment (Continued)**

| Group | Air-conditioners $ | Computer $ | Electrical equipment $ | Furniture and fittings $ | Kitchen equipment $ | Motor vehicles $ | Office equipment $ | Renovation $ | Total $ |
|---|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | | |
| Balance at 1.1.2008 | 395,107 | 124,527 | 526,413 | 667,588 | 1,413,430 | 191,535 | 54,994 | 2,497,256 | 5,870,850 |
| Additions | 335,975 | 100,618 | 138,540 | 172,870 | 465,307 | – | 18,007 | 1,237,021 | 2,468,338 |
| Disposals | – | – | – | – | (19,535) | – | – | – | (19,535) |
| Written off | – | (5,110) | – | – | (37,555) | – | (272) | – | (42,937) |
| Reclassification | – | – | 17,295 | – | (17,295) | – | – | – | – |
| Balance at 31.12.2008 | 731,082 | 220,035 | 682,248 | 840,458 | 1,804,352 | 191,535 | 72,729 | 3,734,277 | 8,276,716 |
| **Accumulated depreciation** | | | | | | | | | |
| Balance at 1.1.2008 | 165,753 | 29,797 | 181,780 | 288,200 | 511,832 | 88,106 | 21,551 | 1,319,681 | 2,606,700 |
| Depreciation for the financial year | 78,521 | 56,861 | 104,100 | 119,444 | 250,932 | 28,997 | 16,028 | 769,549 | 1,424,432 |
| Disposals | – | – | – | – | (7,401) | – | – | – | (7,401) |
| Written off | – | (1,860) | – | – | (8,426) | – | (212) | – | (10,498) |
| Reclassification | – | – | 3,603 | – | (3,603) | – | – | – | – |
| Balance at 31.12.2008 | 244,274 | 84,798 | 289,483 | 407,644 | 743,334 | 117,103 | 37,367 | 2,089,230 | 4,013,233 |
| **Net book value** | | | | | | | | | |
| Balance at 31.12.2008 | 486,808 | 135,237 | 392,765 | 432,814 | 1,061,018 | 74,432 | 35,362 | 1,645,047 | 4,263,483 |

**4. Plant and equipment (Continued)**

| Company | Air-conditioners<br>$ | Computer<br>$ | Electrical equipment<br>$ | Furniture and fittings<br>$ | Kitchen equipment<br>$ | Motor vehicles<br>$ | Office equipment<br>$ | Renovation<br>$ | Total<br>$ |
|---|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | | |
| Balance at 1.1.2009 | 115,784 | 68,344 | 115,681 | 178,923 | 439,049 | 133,179 | 32,373 | 528,098 | 1,611,431 |
| Additions | 1,100 | 28,672 | 36,097 | 53,190 | 57,873 | – | – | 61,096 | 238,028 |
| Disposals | – | – | – | – | (58,295) | – | – | – | (58,295) |
| Written off | (18,550) | – | (25,104) | (41,850) | – | – | (3,551) | (151,209) | (240,264) |
| Balance at 31.12.2009 | 98,334 | 97,016 | 126,674 | 190,263 | 438,627 | 133,179 | 28,822 | 437,985 | 1,550,900 |
| **Accumulated depreciation** | | | | | | | | | |
| Balance at 1.1.2009 | 113,399 | 33,283 | 108,258 | 159,829 | 384,489 | 102,371 | 14,350 | 501,461 | 1,417,440 |
| Depreciation for the financial year | 2,554 | 25,462 | 6,599 | 11,220 | 22,642 | 12,830 | 4,190 | 35,847 | 121,344 |
| Disposals | – | – | – | – | (58,046) | – | – | – | (58,046) |
| Written off | (18,550) | – | (24,135) | (37,190) | – | – | (2,336) | (151,209) | (233,420) |
| Balance at 31.12.2009 | 97,403 | 58,745 | 90,722 | 133,859 | 349,085 | 115,201 | 16,204 | 386,099 | 1,247,318 |
| **Net book value** | | | | | | | | | |
| Balance at 31.12.2009 | 931 | 38,271 | 35,952 | 56,404 | 89,542 | 17,978 | 12,618 | 51,886 | 303,582 |

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 1.1.2008 | 115,784 | 42,455 | 115,681 | 172,913 | 424,379 | 133,179 | 17,629 | 513,080 | 1,535,100 |
| Additions | – | 25,889 | – | 6,010 | 14,670 | – | 15,016 | 15,018 | 76,603 |
| Written off | – | – | – | – | – | – | (272) | – | (272) |
| Balance at 31.12.2008 | 115,784 | 68,344 | 115,681 | 178,923 | 439,049 | 133,179 | 32,373 | 528,098 | 1,611,431 |
| **Accumulated depreciation** | | | | | | | | | |
| Balance at 1.1.2008 | 94,101 | 13,492 | 88,404 | 130,302 | 312,677 | 80,174 | 9,657 | 393,061 | 1,121,868 |
| Depreciation for the financial year | 19,298 | 19,791 | 19,854 | 29,527 | 71,812 | 22,197 | 4,905 | 108,400 | 295,784 |
| Written off | – | – | – | – | – | – | (212) | – | (212) |
| Balance at 31.12.2008 | 113,399 | 33,283 | 108,258 | 159,829 | 384,489 | 102,371 | 14,350 | 501,461 | 1,417,440 |
| **Net book value** | | | | | | | | | |
| Balance at 31.12.2008 | 2,385 | 35,061 | 7,423 | 19,094 | 54,560 | 30,808 | 18,023 | 26,637 | 193,991 |

## 4. Plant and equipment (Continued)

As at the end of the financial year, the net book value of plant and equipment which is acquired under finance lease agreement is as follows:

| | Group 2009 $ | Group 2008 $ |
|---|---|---|
| Motor vehicle | – | 43,624 |

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

| | Group 2009 $ | Group 2008 $ |
|---|---|---|
| Additions of plant and equipment | 3,233,243 | 2,468,338 |
| Provision for dismantlement, removal or restoration | (233,285) | (50,000) |
| Other payables | (341,980) | (248,116) |
| Cash payments to acquire plant and equipment | 2,657,978 | 2,170,222 |

## 5. Investments in subsidiaries

| | Company 2009 $ | Company 2008 $ |
|---|---|---|
| Unquoted equity shares in corporations, at cost | 494,261 | 494,261 |
| Allowance for impairment in value | (100) | (100) |
| | 494,161 | 494,161 |

Movement in allowance for impairment in value is as follows:

| | Company 2009 $ | Company 2008 $ |
|---|---|---|
| Balance at beginning and end of financial year | 100 | 100 |

**5. Investments in subsidiaries (Continued)**

The particulars of the subsidiaries are as follows:

| Name of subsidiary | Principal activities | Country of incorporation | Effective equity interests held 2009 % | 2008 % |
|---|---|---|---|---|
| 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.* | Operation of restaurants | Singapore | 50.98 | 50.98 |

* Audited by BDO LLP, Singapore

**6. Intangible assets**

| **Group** | **Trademarks $** |
|---|---|
| **Cost** | |
| Balance at 1.1.2009 | – |
| Addition during the financial year | 13,162 |
| Balance at 31.12.2009 | 13,162 |
| **Accumulated amortisation** | |
| Balance at 1.1.2009 | – |
| Amortisation during the financial year | 1,316 |
| Balance at 31.12.2009 | 1,316 |
| **Net book value** | |
| Balance at 31.12.2009 | 11,846 |

## 6. Intangible assets (Continued)

| Group | Trademarks $ |
|---|---|
| **Cost** | |
| Balance at 1.1.2008 and 31.12.2008 | – |
| **Accumulated amortisation** | |
| Balance at 1.1.2008 and 31.12.2008 | – |
| **Net book value** | |
| Balance at 31.12.2008 | – |

## 7. Inventories

| | Group and Company 2009 $ | 2008 $ |
|---|---|---|
| Consumables | 53,419 | 62,271 |

The cost of inventories recognised as an expense and included in "Purchases and other consumables" in the consolidated statement of comprehensive income during the financial year was $11,659,490 (2008: $9,552,197).

## 8. Trade and other receivables

| | Group | | Company | |
|---|---|---|---|---|
| | 2009 $ | 2008 $ | 2009 $ | 2008 $ |
| Trade receivables | 264,485 | 219,654 | 54,463 | 23,737 |
| Other receivables | 220,728 | 114,296 | 24,985 | 108,640 |
| Rental and utilities deposits | 2,970,808 | 2,518,390 | 252,933 | 225,328 |
| Prepayments | 190,887 | 168,828 | 16,246 | 12,227 |
| Prepaid rights issue expenses | – | 140,330 | – | 140,330 |
| Due from subsidiaries | | | | |
| - trade | – | – | 583,697 | 228,242 |
| - non-trade | – | – | 304,676 | 204,245 |
| - loan | – | – | 420,000 | 100,000 |
| | – | – | 1,308,373 | 532,487 |
| - Allowance for impairment in value | – | – | (957,373) | (474,475) |
| | – | – | 351,000 | 58,012 |
| | 3,646,908 | 3,161,498 | 699,627 | 568,274 |

**8. Trade and other receivables (Continued)**

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

| | Company | |
|---|---|---|
| | **2009** | **2008** |
| | **$** | **$** |
| Balance at beginning of financial year | 474,475 | 534,748 |
| Reversal of allowance for impairment in value during the financial year | – | (80,495) |
| Allowance for impairment in value made during the financial year | 482,898 | 20,222 |
| Balance at end of financial year | 957,373 | 474,475 |

Trade receivables are non-interest bearing and generally on 1 - 30 days' credit terms.

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

Allowance for impairment in value of amounts due from subsidiaries of $482,898 (2008: $20,222) are recognised in profit or loss subsequent to debt recovery assessment performed on the subsidiaries by the management.

In 2008, a reversal of allowance for impairment in value of amounts due from subsidiaries was recognised in profit or loss due to the partial settlement received during the previous financial year.

Trade and other receivables are denominated in Singapore dollar.

**9. Cash and cash equivalents**

| | Group | | Company | |
|---|---|---|---|---|
| | **2009** | **2008** | **2009** | **2008** |
| | **$** | **$** | **$** | **$** |
| Fixed deposits with banks | 6,027,136 | 7,508,958 | 6,027,136 | 7,508,958 |
| Cash and bank balances | 9,936,388 | 6,663,944 | 5,944,375 | 3,753,119 |
| | 15,963,524 | 14,172,902 | 11,971,511 | 11,262,077 |

Fixed deposits are placed for tenure of 30 to 182 days (2008: 14 to 183 days) and the effective interest rates on the fixed deposits are approximately 0.125% - 1.0325% (2008: 0.4375% - 2.3125%) per annum.

Cash and cash equivalents are denominated in Singapore dollar.

## 10. Trade and other payables

| | Group | | Company | |
|---|---|---|---|---|
| | 2009 | 2008 | 2009 | 2008 |
| | $ | $ | $ | $ |
| Trade payables | 1,612,355 | 1,371,598 | 142,125 | 185,366 |
| Other payables | 936,800 | 863,904 | 223,857 | 117,601 |
| Deferred income | – | 7,085 | – | 7,085 |
| Accrued operating expenses | 1,715,375 | 1,512,044 | 565,805 | 611,022 |
| Unutilised annual leave | 174,074 | 144,011 | 34,558 | 32,176 |
| Loans from subsidiaries | – | – | 1,895,766 | 1,776,366 |
| | 4,438,604 | 3,898,642 | 2,862,111 | 2,729,616 |

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

Other payables comprise mainly payables for other expenses and purchases of plant and equipment.

In 2008, 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.

## 11. Finance lease payables

| Group | Minimum lease payments $ | Future finance charges $ | Present value of minimum lease payments $ |
|---|---|---|---|
| **2009** | | | |
| Not later than one year | – | – | – |
| **2008** | | | |
| 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 | 11,700 | (2,700) | 9,000 |
| | 42,900 | (9,900) | 33,000 |
| | 50,700 | (11,700) | 39,000 |

The lease term was 10 years. The effective interest rate charged during the financial year was 5.46% (2008: 5.46%) per annum.

**11. Finance lease payables (Continued)**

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

The fair value of the Group's lease obligations approximates their carrying amounts.

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

The finance lease payables were denominated in Singapore dollar.

The finance lease payable has been fully settled during the financial year.

**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 | |
|---|---|---|---|---|
| | 2009 | 2008 | 2009 | 2008 |
| | $ | $ | $ | $ |
| Balance at beginning of financial year | 337,381 | 281,053 | 45,714 | 43,538 |
| Provision made during the financial year | 233,285 | 50,000 | 39,758 | – |
| Utilisation during the financial year | (14,286) | – | (14,286) | – |
| Amortisation of discount | 3,680 | 6,328 | 1,572 | 2,176 |
| Balance at end of financial year | 560,060 | 337,381 | 72,758 | 45,714 |

**13. Deferred tax liabilities**

| | Group | | Company | |
|---|---|---|---|---|
| | 2009 | 2008 | 2009 | 2008 |
| | $ | $ | $ | $ |
| Balance at beginning of financial year | 267,248 | 192,401 | 7,941 | 46,226 |
| Charged/(credited) to profit or loss | 225,917 | 74,847 | 15,500 | (38,285) |
| Balance at end of financial year | 493,165 | 267,248 | 23,441 | 7,941 |

## 13. Deferred tax liabilities (Continued)

Recognised deferred tax liabilities are attributable to the following:

| | Group | | Company | |
|---|---|---|---|---|
| | **2009** | **2008** | **2009** | **2008** |
| | **$** | **$** | **$** | **$** |
| Plant and equipment | 535,367 | 293,558 | 41,276 | 13,732 |
| Unutilised annual leave | (29,593) | (25,922) | (5,875) | (5,791) |
| Others | (12,609) | (388) | (11,960) | – |
| | 493,165 | 267,248 | 23,441 | 7,941 |

## 14. Share capital

| | Group and Company | |
|---|---|---|
| | **2009** | **2008** |
| | **$** | **$** |
| *Issued and fully paid with no par value* | | |
| 99,500,000 (2008: 99,500,000) ordinary shares at beginning of financial year | 4,786,556 | 4,786,556 |
| Issuance of 199,000,000 ordinary shares on the basis of two rights shares for each existing ordinary share | 1,990,000 | – |
| Shares issue expenses | (183,795) | – |
| 298,500,000 (2008: 99,500,000) ordinary shares at end of financial year | 6,592,761 | 4,786,556 |

The Company has one class of ordinary shares which carries no right to fixed income.

On 19 January 2009, the Company issued 199,000,000 ordinary shares at S$0.01 for each share at cash on the basis of two rights shares for each existing ordinary share.

## 15. Revenue

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

## 16. Other income

| | Group 2009 $ | Group 2008 $ |
|---|---|---|
| Bank interest income | 15,129 | 34,279 |
| Collaboration fee | 113,252 | 207,815 |
| Fixed deposits interest income | 21,779 | 79,853 |
| Franchise fees | 375,000 | – |
| Government grant - Jobs Credit Scheme | 658,196 | – |
| Reversal of allowance for impairment in value of non-trade receivables | – | 20,000 |
| Royalty fee | 39,830 | 35,065 |
| Sundry income | 146,096 | 6,147 |
| | 1,369,282 | 383,159 |

## 17. Employee benefits expenses

| | Group 2009 $ | Group 2008 $ |
|---|---|---|
| Salaries, bonuses and other benefits | 14,656,387 | 11,989,244 |
| Contributions to defined contribution plans | 806,697 | 689,788 |
| | 15,463,084 | 12,679,032 |

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

## 18. Finance costs

| | Group 2009 $ | Group 2008 $ |
|---|---|---|
| Amortisation of discount on provision | 3,680 | 6,328 |
| Interest on late payment of operating lease expenses | – | 1,070 |
| Finance leases interest | 5,096 | 1,800 |
| | 8,776 | 9,198 |

## 19. Profit before income tax

The above is arrived at after charging:

| | Group | |
|---|---|---|
| | 2009 | 2008 |
| | $ | $ |
| *Other expenses* | | |
| Amortisation of intangible asset | 1,316 | – |
| Cleaning materials | 823,592 | 663,893 |
| Credit card commission charges | 536,528 | 524,981 |
| Directors' fees | | |
| - Directors of the Company | 167,000 | 139,000 |
| - Directors of a subsidiary | 8,000 | 6,000 |
| Net loss on disposal of plant and equipment | 13,873 | 11,484 |
| Non-audit fees paid to the auditors of the Company | 16,120 | 13,600 |
| Operating lease expenses | | |
| - minimum lease payments | | |
| - premises | 6,760,501 | 4,924,774 |
| - machinery | 19,112 | 22,138 |
| - contingent rents | | |
| - premises | 691,367 | 1,079,700 |
| Plant and equipment written off | 61,999 | 32,439 |
| Repair and maintenance | 350,743 | 255,500 |
| Utilities | 1,877,679 | 1,828,196 |

## 20. Income tax expense

| | Group | |
|---|---|---|
| | 2009 | 2008 |
| | $ | $ |
| Current income tax expense | | |
| - current financial year | 476,992 | 927,106 |
| - (over)/under provision in prior years | (26,498) | 175,275 |
| | 450,494 | 1,102,381 |
| Deferred tax | | |
| - current financial year | 173,164 | 35,766 |
| - under provision in prior years | 52,753 | 39,081 |
| | 225,917 | 74,847 |
| Total income tax expense in consolidated statement of comprehensive income | 676,411 | 1,177,228 |

Income tax is calculated at 17% (2008: 18%) of the estimated assessable profit for the year.

**20. Income tax expense (Continued)**

*Reconciliation of effective tax rate*

| | Group | |
|---|---|---|
| | **2009** | **2008** |
| | **$** | **$** |
| Profit before income tax | 4,251,273 | 5,519,241 |
| Income tax at statutory tax rate | 722,716 | 993,463 |
| Change in tax rate | (17,538) | – |
| Tax effect of expenses non-deductible for income tax purposes | 41,134 | 83,715 |
| Tax effect of income not subject to income tax | (65,718) | (3,600) |
| Singapore's statutory stepped income exemption | (61,360) | (109,800) |
| Under provision in prior years - net | 26,255 | 214,356 |
| Others | 30,922 | (906) |
| | 676,411 | 1,177,228 |

**21. Earnings per share**

| | Group | |
|---|---|---|
| | **2009** | **2008** |
| *Earnings per share (cents)* | | |
| Basic | 0.98 | 3.43 |
| Diluted | 0.98 | 3.43 |

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

| | Group | |
|---|---|---|
| | **2009** | **2008** |
| Net profit attributable to owners of the Company | $2,746,818 | $3,409,364 |
| Weighted average (2008: Actual) number of ordinary shares in issue during the financial year | 281,053,428 | 99,500,000 |

Basic and diluted earnings per share are calculated by dividing the Group's net profit attributable to owners by the weighted average (2008: Actual) number of shares in issue during the financial year.

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

## 22. Dividends

| | Group and Company | |
|---|---|---|
| | 2009 | 2008 |
| | $ | $ |
| Final tax-exempt dividend paid of $0.0035 (2008: $0.01) per share in respect of the previous financial year | 1,044,750 | 995,000 |
| Special tax-exempt dividend payable of $Nil (2008: $0.01) per share in respect of the previous financial year | – | 995,000 |
| | 1,044,750 | 1,990,000 |

The Directors of Company recommend a final tax-exempt dividend of $0.0035 (2008: $0.0035) per share amounting to $1,044,750 (2008: $1,044,750) to 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.

## 23. Operating lease commitments

*The Group and the Company as the lessees*

As at the end of the financial year, there were operating lease commitments for rental of premises payable in subsequent accounting periods as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2009 | 2008 | 2009 | 2008 |
| | $ | $ | $ | $ |
| Not later than one year | 7,051,141 | 5,694,297 | 598,347 | 230,308 |
| Later than one year but not later than five years | 9,892,445 | 5,921,059 | 1,018,246 | – |
| | 16,943,586 | 11,615,356 | 1,616,593 | 230,308 |

The above lease agreements expire on dates between 5 January 2010 to 7 February 2013. The current rents payable under the leases of 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. The leases have varying terms, escalation clauses and renewal rights.

## 24. Contingent liabilities, unsecured

The Company has undertaken to provide continued financial support to two of its subsidiaries namely Soup Restaurant Investments Pte. Ltd. and Soup Restaurant (Seah Street) Pte Ltd, which have accumulated losses of $108,982 (2008: $102,452) and $592,473 (2008: $429,946) respectively in excess of the issued and paid-up share capital of the respective subsidiaries as at 31 December 2009 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.

## 25. Capital commitment

| | Group | |
|---|---|---|
| | 2009 | 2008 |
| | $ | $ |
| Capital expenditure contracted but not provided for | | |
| - Commitments for the acquisition of plant and equipment | – | 322,663 |

## 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 | |
|---|---|---|
| | 2009 | 2008 |
| | $ | $ |
| Loan to subsidiaries from the Company | 1,635,000 | 2,000,000 |
| Loan from subsidiaries to the Company | 4,670,000 | 5,185,000 |
| Receipts on behalf of subsidiaries by the Company | 17,052 | 48,473 |
| Settlement of liabilities on behalf of the Company by subsidiaries | 1,100 | 5,238 |
| Settlement of liabilities on behalf of subsidiaries by the Company | 194,882 | 88,848 |
| Royalty fees charged to subsidiaries | 410,868 | 426,123 |
| Sales of foodstuff to subsidiaries by the Company | 873,029 | 896,211 |
| Purchase of foodstuff from a subsidiary | 6,964 | – |
| Dividends received from subsidiaries | 2,205,000 | 2,000,000 |
| Management fees charged to subsidiaries | 782,455 | 582,615 |
| Secretarial fees charged to a subsidiary | 960 | 960 |
| Consultancy fees charged to a subsidiary | 74,500 | 75,000 |

## 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 | |
|---|---|---|---|---|
| | 2009 | 2008 | 2009 | 2008 |
| | $ | $ | $ | $ |
| Directors' fee | 175,000 | 145,000 | 130,000 | 130,000 |
| Short-term benefits | 1,984,732 | 1,610,653 | 970,432 | 827,953 |
| Post-employment benefits | 79,606 | 83,673 | 57,409 | 34,525 |
| | 2,239,338 | 1,839,326 | 1,157,841 | 992,478 |

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

| | Group | | Company | |
|---|---|---|---|---|
| | 2009 | 2008 | 2009 | 2008 |
| | $ | $ | $ | $ |
| *Directors of the Company* | | | | |
| Directors' fee | 167,000 | 139,000 | 130,000 | 130,000 |
| Short-term benefits | 651,680 | 699,239 | 651,680 | 699,239 |
| Post-employment benefits | 14,067 | 17,694 | 14,067 | 17,694 |
| | 832,747 | 855,933 | 795,747 | 846,933 |
| *Directors of a subsidiary* | | | | |
| Directors' fee | 8,000 | 6,000 | – | – |
| Short-term benefits | 1,014,300 | 588,100 | – | – |
| Post-employment benefits | 22,197 | 21,964 | – | – |
| | 1,044,497 | 616,064 | – | – |
| | 1,877,244 | 1,471,997 | 795,747 | 846,933 |

## 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 and financial risk**

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.

*(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 impairment in value, represents the Group's and the Company's maximum exposure to credit risk.

The Group's and Company's major classes of financial assets are bank deposits and trade and other receivables.

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.

**28. Financial instruments and financial risk (Continued)**

*(a) Credit risk* (Continued)

The age analysis of trade receivables is as follows:

| | Gross receivables 2009 $ | Impairment 2009 $ | Gross receivables 2008 $ | Impairment 2008 $ |
|---|---|---|---|---|
| **Group** | | | | |
| Not past due | 256,224 | – | 213,224 | – |
| Past due 0 to 3 months | 8,261 | – | 6,430 | – |
| Past due 3 to 6 months | – | – | – | – |
| Past due 6 to 12 months | – | – | – | – |
| Past due over 12 months | – | – | – | – |
| | 264,485 | – | 219,654 | – |

| | Gross receivables 2009 $ | Impairment 2009 $ | Gross receivables 2008 $ | Impairment 2008 $ |
|---|---|---|---|---|
| **Company** | | | | |
| Not past due | 46,202 | – | 17,307 | – |
| Past due 0 to 3 months | 8,261 | – | 6,430 | – |
| Past due 3 to 6 months | – | – | – | – |
| Past due 6 to 12 months | – | – | – | – |
| Past due over 12 months | – | – | – | – |
| | 54,463 | – | 23,737 | – |

**28. Financial instruments and financial risk (Continued)**

(a) *Credit risk* (Continued)

The age analysis of other receivables is as follows:

| | Gross receivables 2009 $ | Impairment 2009 $ | Gross receivables 2008 $ | Impairment 2008 $ |
|---|---|---|---|---|
| **Group** | | | | |
| Not past due | 200,930 | – | 105,713 | – |
| Past due 0 to 3 months | 19,798 | – | 8,583 | – |
| Past due 3 to 6 months | – | – | – | – |
| Past due 6 to 12 months | – | – | – | – |
| Past due over 12 months | – | – | – | – |
| | 220,728 | – | 114,296 | – |
| **Company** | | | | |
| Not past due | 12,531 | – | 105,713 | – |
| Past due 0 to 3 months | 12,454 | – | 2,927 | – |
| Past due 3 to 6 months | – | – | – | – |
| Past due 6 to 12 months | – | – | – | – |
| Past due over 12 months | – | – | – | – |
| | 24,985 | – | 108,640 | – |

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

| | Gross receivables 2009 $ | Impairment 2009 $ | Gross receivables 2008 $ | Impairment 2008 $ |
|---|---|---|---|---|
| **Company** | | | | |
| Not past due | – | – | – | – |
| Past due 0 to 3 months | 380,291 | 78,630 | 58,012 | – |
| Past due 3 to 6 months | 63,250 | 29,760 | – | – |
| Past due 6 to 12 months | 390,357 | 374,508 | 31,909 | 31,909 |
| Past due over 12 months | 474,475 | 474,475 | 442,566 | 442,566 |
| | 1,308,373 | 957,373 | 532,487 | 474,475 |

The impaired amounts due from subsidiaries arise mainly from working capital loans to subsidiaries which have suffered significant losses from its operations.

**28. Financial instruments and financial risk (Continued)**

*(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 the end of the financial year, the Group and the Company do not have significant exposure to the financial risk arises from changes in interest rates.

(ii) Foreign currency risk

As at the end of the financial year, the Group and the Company do not have exposure to financial risk arises from changes in foreign currency exchange rate.

*(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.

There is no non-current financial liability for the Group and the Company except finance lease payables as disclosed in Note 11 to the financial statements at the end of the financial year.

**29. Capital management 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 are total of "current liabilities" and "non-current liabilities" as shown in the statements of financial position and equity is "total equity" as shown in the statements of financial position.

**29. Capital management 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 their 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 2008.

| | Group | | Company | |
|---|---|---|---|---|
| | **2009** | **2008** | **2009** | **2008** |
| | **$** | **$** | **$** | **$** |
| Total liabilities | 5,978,924 | 6,514,097 | 2,974,072 | 3,781,140 |
| Equity | 19,282,374 | 15,146,057 | 10,548,228 | 8,799,634 |
| Debt to equity ratio | 31% | 43% | 28% | 43% |

The decrease in the debt to equity ratio during the current financial year resulted primarily from the dividend paid during the financial year.

The Group and the Company are not subject to any externally imposed capital requirements.

**30. Fair value**

The carrying amounts of cash and cash equivalents, trade and other current debtors and creditors, approximate their respective fair values due to the relative short term maturity of these financial instruments. The fair values of other classes of financial assets and liabilities are disclosed in the respective notes to the financial statements.

# STATISTICS OF SHAREHOLDINGS

As at 19 March 2010

Number of issued and paid-up shares - 298,500,000 ordinary 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 | 1 | 0.16 | 10 | 0.00 |
| 1,000 - 10,000 | 352 | 54.66 | 1,554,000 | 0.52 |
| 10,001 - 1,000,000 | 275 | 42.70 | 30,964,917 | 10.37 |
| 1,000,001 AND ABOVE | 16 | 2.48 | 265,981,073 | 89.11 |
| **TOTAL** | **644** | **100.00** | **298,500,000** | **100.00** |

**TWENTY LARGEST SHAREHOLDERS**

| | NAME | NO. OF SHARES | % |
|---|---|---|---|
| 1 | MOK YIP PENG | 55,683,600 | 18.65 |
| 2 | MAYBAN NOMINEES (S) PTE LTD | 43,420,000 | 14.55 |
| 3 | WONG WEI TECK | 41,091,900 | 13.77 |
| 4 | WONG CHI KEONG | 39,091,800 | 13.10 |
| 5 | PANG CHENG JIN | 32,581,500 | 10.92 |
| 6 | AMFRASER SECURITIES PTE. LTD. | 21,200,000 | 7.10 |
| 7 | DBS NOMINEES PTE LTD | 13,642,923 | 4.57 |
| 8 | CIMB NOMINEES (S) PTE LTD | 4,379,000 | 1.47 |
| 9 | GOH FUQIANG KENNETH (WU FUQIANG KENNETH) | 2,800,000 | 0.94 |
| 10 | GOH LI-SHING ARLENE (WU LIXIN ARLENE) | 2,800,000 | 0.94 |
| 11 | OCBC SECURITIES PRIVATE LTD | 2,722,000 | 0.91 |
| 12 | UNITED OVERSEAS BANK NOMINEES PTE LTD | 1,532,000 | 0.51 |
| 13 | LEE IN CHUN | 1,454,000 | 0.49 |
| 14 | NG TIOW SWEE @ NG TIOW KEE | 1,323,000 | 0.44 |
| 15 | HO HONG CHIN | 1,225,000 | 0.41 |
| 16 | HSBC (SINGAPORE) NOMINEES PTE LTD | 1,034,350 | 0.35 |
| 17 | LIM & TAN SECURITIES PTE LTD | 975,000 | 0.33 |
| 18 | YIT TENG YUET | 870,000 | 0.29 |
| 19 | PHILLIP SECURITIES PTE LTD | 865,000 | 0.29 |
| 20 | CHAN BEE FONG | 800,000 | 0.27 |
| | **TOTAL** | **269,491,073** | **90.30** |

# STATISTICS OF SHAREHOLDINGS

As at 19 March 2010

**SUBSTANTIAL SHAREHOLDERS**
(as recorded in the Register of Substantial Shareholders)

| Name | Direct Interest | % | Deemed Interest | % |
|---|---|---|---|---|
| Mok Yip Peng | 55,683,600 | 18.65 | – | – |
| Wong Wei Teck | 41,091,900 | 13.77 | – | – |
| Wong Chi Keong | 39,091,800 | 13.10 | – | – |
| Then Khek Koon | – | – | 33,945,000 | 11.37 |
| Pang Cheng Jin @ Cen You Hao | 32,581,500 | 10.92 | – | – |

**SHAREHOLDINGS HELD IN HANDS OF PUBLIC**

Based on information available to the Company, approximately 31.8% 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, Aerides 2, Level 1, Singapore 299526 on Wednesday, 28 April 2010 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 2009 together with the Auditors' Report thereon. **(Resolution 1)**

2. To declare a final tax exempt (one-tier) dividend of 0.35 cent per ordinary share for the year ended 31 December 2009. [2008: 0.35 cent tax exempt (one-tier) per ordinary share] **(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 Then Khek Koon **(Resolution 3)**

   Mr Saw Meng Tee **(Resolution 4)**

   *Mr Then Khek Koon, will in accordance with Article 107 retire at this annual general meeting and he has expressed his desire to be re-elected.*

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

4. To re-appoint Professor Cham Tao Soon, a director of the Company retiring under Section 153(6) of the Companies Act, Cap. 50, to hold office from the date of this Annual General Meeting until the next Annual General Meeting of the Company.
   [See Explanatory Note (i)] **(Resolution 5)**

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

5. To approve the payment of Directors' fees of S$130,000 for the year ended 31 December 2009. [2008: S$130,000] **(Resolution 6)**

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

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

# NOTICE OF ANNUAL GENERAL MEETING

**AS SPECIAL BUSINESS**

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

8. **Authority to issue shares**

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 of the Company 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 of the Company 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 Instruments made or granted by the Directors of the Company while this Resolution was in force,

provided that:

(1) the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) 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 to be issued other than on a pro rata basis to 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 that may be issued under sub-paragraph (1) above, the total number of issued shares (excluding treasury shares) 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 any convertible securities;

(b) new shares arising from exercising share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this Resolution; and

(c) any subsequent bonus issue , consolidation or subdivision of shares;

(3) (until 31 December 2010 or such other expiration date as may be determined by Singapore Exchange Securities Trading Limited), the limit on the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) of fifty per cent (50%) of the total number of issued shares (excluding treasury shares) in the capital of the Company set out in sub-paragraph (1) above, shall be increased to 100%, for purposes of enabling the Company to undertake pro-rata renounceable rights issues;

(4) 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

(5) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.
[See Explanatory Note (ii)] **(Resolution 8)**

9 **Authority to issue shares other than on a pro-rata basis pursuant to the aforesaid share issue mandate at discounts not exceeding twenty per centum (20%) of the weighted average price for trades done on the SGX-ST.**

That subject to and pursuant to the aforesaid share issue mandate being obtained, the Directors of the Company be hereby authorised and empowered to issue shares (other than on a pro-rata basis to the shareholders of the Company) at a discount ('the Discount") not exceeding ten per centum (10%) to the weighted average price ("the Price") for trades done on the Singapore Exchange Securities Trading Limited ("SGX-ST") for the full market day on which the placement or subscription agreement in relation to such shares is executed (or if not available for a full market day, the weighted average price must be based on the trades done on the preceding market day up to the time the placement or subscription agreement is executed), provided that in exercising the authority conferred by this Resolution:-

(a) the Company complies with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST); and

(b) the Company may, until 31 December 2010 or such other expiration date as may be determined by SGX-ST increase the Discount to an amount exceeding ten per cent (10%) but not more than twenty per cent (20%) of the Price for shares to be issued,

unless revoked or varied by the Company in general meeting, such authority shall continue in force until (a) the conclusion of the next Annual General Meeting of the Company, or (b) the date by which the next Annual General Meeting of the Company is required by law to be held whichever is earlier.
[See Explanatory Note (iii)] **(Resolution 9)**

By Order of the Board

Toh Yen Sang
Secretary
Singapore, 13 April 2010

# NOTICE OF ANNUAL GENERAL MEETING

**Explanatory Notes:**

(i) The effect of the Ordinary Resolution 5 proposed in item 4 above, is to re-appoint a director of the Company who is over 70 years of age.

(ii) The Ordinary Resolution 8 in item 8 above, if passed, will empower the Directors of the Company, effective 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 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 shareholders. The 50% limit referred to in the preceding sentence may be increased to 100% for the Company to undertake pro-rata renounceable rights issues subject to timeline stated below.

For determining the aggregate number of shares that may be issued, the total number of issued shares (excluding treasury shares) 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 any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time when this Ordinary Resolution is passed and any subsequent bonus issue, consolidation or subdivision of shares.

The 100% renounceable pro-rata rights issue limit is one of the new measures implemented by the SGX-ST as stated in a press release entitled "SGX introduces further measures to facilitate fund raising" dated 19 February 2009 and which became effective on 20 February 2009 until 31 December 2010. The effectiveness of these measures will be reviewed by the SGX-ST at the end of the period. It will provide the Directors with an opportunity to raise funds and avoid prolonged market exposure by reducing the time taken for shareholders' approval, in the event the need arises. Minority shareholders' interests are mitigated as all shareholders have equal opportunities to participate and can dispose their entitlements through trading of nil-paid rights if they do not wish to subscribe for their rights shares. It is subject to the condition that the Company makes periodic announcements on the use of the proceeds as and when the funds are materially disbursed and provides a status report on the use of proceeds in the annual report.

(iii) The Ordinary Resolution 9 in item 9 above is pursuant to measures implemented by the SGX-ST as stated in a press release entitled "SGX introduces further measures to facilitate fund raising" dated 19 February 2009 and which became effective on 20 February 2009 until 31 December 2010. The effectiveness of these measures will be reviewed by SGX-ST at the end of the period. Under the measures implemented by the SGX-ST, issuers will be allowed to undertake non pro-rata placements of new shares priced at discounts of up to 20% to the weighted average price for trades done on the SGX-ST for a full market day on which the placement or subscription agreement in relation to such shares is executed, subject to the conditions that (a) shareholders' approval be obtained in a separate resolution (the "Resolution") at a general meeting to issue new shares on a non pro-rata basis at discount exceeding 10% but not more than 20%; and (b) that the resolution seeking a general mandate from shareholders for issuance of new shares on a non pro-rata basis is not conditional upon the Resolution.

It should be noted that under the Listing Manual of the SGX-ST, shareholders' approval is not required for placements of new shares, on a non pro-rata basis pursuant to a general mandate, at a discount of up to 10% to the weighted average price for trades done on the SGX-ST for a full market day on which the placement or subscription agreement in relation to such shares is executed.

**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.

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**SOUP RESTAURANT GROUP LIMITED**
Company Registration No. 199103597Z
(Incorporated In The Republic of Singapore)

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

# PROXY FORM

*(Please see notes overleaf before completing this Form)*

I/We, ______________________________________________

of ______________________________________________

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

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

and/or (delete as appropriate)

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

or failing the person, or either or both of the persons, referred to above , the Chairman of the Meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the Annual General Meeting (the "Meeting") of the Company to be held on Wednesday, 28 April 2010 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 2009 | | |
| 2 | Payment of proposed final dividend | | |
| 3 | Re-election of Mr Then Khek Koon as a Director | | |
| 4 | Re-election of Mr Saw Meng Tee as a Director | | |
| 5 | Re-appointment of Professor Cham Tao Soon as a Director | | |
| 6 | Approval of Directors' fees amounting to S$130,000 | | |
| 7 | Re-appointment of BDO LLP as Auditors | | |
| 8 | Authority to issue shares | | |
| 9 | Authority to issue shares at discount | | |

Dated this ____________ day of ____________ 2010

| 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.

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# OUR RESTAURANTS



## Soup Restaurant

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

Causeway Point
*1 Woodlands Square*
*#03-01 Causeway Point*

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

Changi Airport T2
*Singapore Changi Airport Terminal 2*
*#036-086 Viewing Mall North*

City Square Mall
*180 Kitchener Road*
*#04-17/18 City Square Mall*

Compass Point
*1 Sengkang Square*
*#03-16/17 Compass Point*

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

Jurong Point
*1 Jurong West Central 2*
*#02-33 Jurong Point*

Paragon
*290 Orchard Road*
*#B1-07 Paragon*

Scottswalk
*25 Scotts Road*
*#02-01 DFS Scottswalk*

Seah Street
*39 Seah Street*

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

Toa Payoh Entertainment Centre
*450 Lorong 6 Toa Payoh*
*#01-10 Toa Payoh Entertainment Centre*

United Square
*101 Thomson Road*
*#B1-10/66/67 United Square*

VivoCity
*1 HarbourFront Walk*
*#02-141 VivoCity*

## Dian Xiao Er

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

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

Changi Airport T3
*Singapore Changi Airport Terminal 3*
*#03-42 Viewing Mall*

Jurong Point
*63 Jurong West Central 3*
*#03-26/27 Jurong Point*

Lot One
*21 Chua Chu Kang Avenue 4*
*#B1-32/33 Lot One Shoppers' Mall*

Marina Square
*6 Raffles Boulevard*
*#02-203/204 Marina Square*

Tampines One
*107 Tampines Central 1*
*#04-07/09 Tampines One*

VivoCity
*1 HarbourFront Walk*
*#02-138 VivoCity*

West Coast Plaza
*154 West Coast Road*
*#02-02/03/04 West Coast Plaza*

# *Boat Quay in the 1920s*

*Tugboats used to dot the Singapore River as featured in this gem of a photo taken in the 1920s. Godowns or riverfront warehouses were also prominent sites along the river where all kinds of goods like flour, rice, and salt were stored.*

# A Taste of Tradition

A traditional Samsui dish once consumed by samsui women during the Chinese New Year, "Samsui Ginger Chicken" is prepared with light seasoning and the dish is consumed with ginger sauce, which adds a piquant note. Wrapping the chicken in lettuce will give a crispy crunch when you bite into the popular "Samsui Ginger Chicken". This Chinese New Year, revive the tradition by ordering this dish from Soup Restaurant. Their "super value" takeaway package consists of a Samsui Chicken Triple Treasure Platter and premium yusheng.


## The Grand Dame, Capitol Theatre

Capitol Theatre is one of Singapore's oldest cinemas and was operational all the way till the 1990s. Situated along Stamford Road, it has cut a majestic figure ever since its establishment. Designated a heritage building, it is a part of Singapore's rich architectural heritage.