



SOUP
RESTAURANT

ANNUAL REPORT 2011

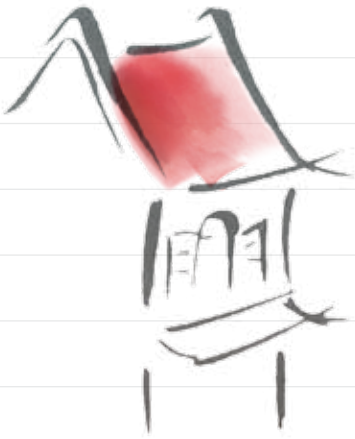
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everyday is a reunion with us

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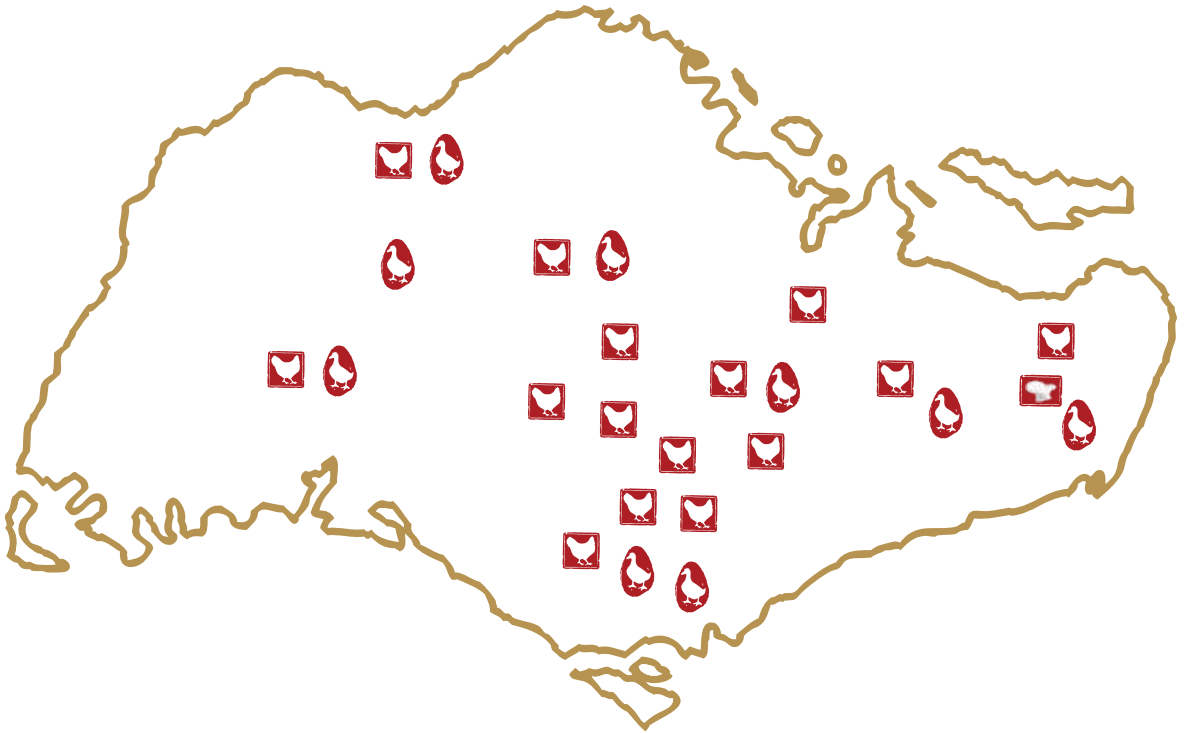
Corporate Profile

Founded in 1991, Soup Restaurant Group Limited has its humble beginning as a niche restaurant in Chinatown focusing mainly on herbal soups and home-cooked dishes served at reasonable prices.

Today, the Company is listed on the Mainboard of the Singapore Exchange and operates a portfolio of well-known food and beverage brands such as "Soup Restaurant" and "Dian Xiao Er". The Group currently has 30 restaurant outlets in Singapore, Malaysia and Indonesia.



Our Footprints



SINGAPORE

Soup Restaurant

- AMK Hub
- Causeway Point
- Century Square
- Changi Airport T2
- City Square Mall
- Clementi Mall
- Compass Point
- Hougang Mall
- Jurong Point
- nex
- Paragon
- 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
- nex
- Tampines 1
- VivoCity

Curry Hopper

- Eastpoint Mall

MALAYSIA

Soup Restaurant

- 1 Utama

INDONESIA*

Soup Restaurant

- Plaza Indonesia
- PX Pavilion

Dian Xiao Er

- Mall Taman Anggrek
- Emporium Pluit Mall

* Franchise outlets

Financial Highlights

| | FY2009 | FY2010 | FY2011 |
|--|---------|---------|---------|
| | S\$'000 | S\$'000 | S\$'000 |
| Revenue and Profitability | | | |
| Revenue | 45,055 | 53,126 | 57,874 |
| Profit before income tax | 4,251 | 5,932 | 3,699 |
| Profit attributable to owners of the Company | 2,747 | 3,785 | 2,275 |

Financial and Cash Flow Position

| | | | |
|--|--------|--------|--------|
| Total assets | 25,261 | 27,565 | 28,493 |
| Total liabilities | 5,979 | 7,389 | 8,226 |
| Equity attributable to owners of the Company | 16,840 | 16,595 | 16,332 |
| Cash and cash equivalents | 15,963 | 17,104 | 16,402 |

Per Share (cents)

| | | | |
|---------------------------|-------|-------|-------|
| Earnings per share | 0.92 | 1.27 | 0.76 |
| Net asset value per share | 5.64 | 5.56 | 5.47 |
| Dividend per share | | | |
| • Special | - | 0.650 | - |
| • Interim | - | 0.350 | 0.350 |
| • Final | 0.350 | 0.350 | 0.175 |



Our Brands



Soup Restaurant

A bright splash of colour in 1930s Chinatown with their trademark red headdress, the Samsui Lady was amongst the pioneers who built modern Singapore. An icon of Chinatown known for her strength of character and resilience, she leaves behind a heritage steeped in unspoken simplicity and humility we call grace. Everyday, the Samsui Lady looked forward to her daily ritual of a simple meal with sisters from her hometown. It was her deeply treasured moment. And every conversation, a magical reunion.

SOUP
RESTAURANT



The legacy of the Samsui Lady is a big part of our history. Its spirit is interwoven into the fabric of our brand, the reason for our existence. We believe we have a big part to play in enlivening the Samsui heritage. With our heirloom recipes, we bring you the most authentic Chinatown Heritage Cuisine that will take you to an era gone by. Our signatures like the "Samsui Ginger Chicken", the Chinatown family steamed dishes and herbal soups, are prepared with the same simple mastery and sincerity.

At Soup Restaurant, our culture is steeped in our philosophy of reunion. We want everybody's reunion with their loved ones to be moments they can cherish everyday. For some, this is a tradition of homecoming. To us, it is **Everyday Reunion**.





Dian Xiao Er

Dian Xiao Er symbolizes a pit-stop for travellers to rest and replenish their energy fully before setting off to continue their hectic journeys again. Dian Xiao Er not only provides to the travellers a place of warmth, satisfaction and happiness as they indulge in the delectable dishes, it is also a place for them to interact and build relationships with one another. Dian Xiao Er also symbolizes an element of blessing and fellowship as everyone is brought together in Dian Xiao Er.



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 specialty, “Herbal Roast Duck”, incorporates the tradition of applying Chinese Herbs into the art of duck roasting to give our customers a truly sensational taste!



Curry Hopper

Many decades ago, **Hoppers** are some types of bread (Roti) made from rice batter; it can be eaten anytime of the day and usually with curry. In the 1980s, little children would walk and hop when they are happy, exactly like that **walk-hop dance** along with the childhood song “The more we get together”! My childhood Indian neighbours would **walk and hop** home for their curry dinner. It was really delightful to see them overwhelmed by the cooking aroma and the smell will lead them all the way home.

Today, we call our workers as **Curry Hoppers** too; they will always hop the Roti high in the air for the better texture as well as showing their flairs. Consecutively, they also like to transfer the curry from pot to pot, this method of “**Curry hopping**” is necessary to prevent curry burnt.

Chairman's Message

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to deliver to you the annual report for the financial year ended 31 December 2011 ("FY2011").

Business Review

FY2011 was a year of stable growth in revenue for the Group as it registered increased revenue by 8.9% to a record high of S\$57.9 million, as compared with S\$53.1 million for the previous financial year ended 31 December 2010 ("FY2010"). Despite the higher revenue recorded, profit before income tax dropped by 37.6% to S\$3.7million due mainly to rising operating costs.

In March 2011, we ceased operations of our "Dian Xiao Er" outlet at Changi Airport Terminal 3 due to the revamp of the shopping and dining areas. The outlet commenced business again early this year when the refurbishment was completed. On the other hand, our "Soup Restaurant" outlet at Changi Terminal 2 also underwent renovation in May 2011 and expanded into a larger dining area to capitalise on the increased human traffic.

I am pleased to report that we had further extended our footprints overseas as we opened our first "Soup Restaurant" outlet in 1 Utama Shopping Centre, Kuala Lumpur, Malaysia and a second franchise outlet at PX Pavilion in Jakarta, Indonesia. We will seek to open more outlets should opportunities arise.

During the year, we also introduced a brand new F&B concept known as "Curry Hopper" to target at younger market segment which we have identified as being of good potential for future development.

As part of the Group's expansion plan, we have moved our corporate head office out of the current location in August last year to give way for the expansion of the food processing facility. This expanded facility will not only boost our food and safety standards, but also give us ample room to grow and develop new products and technological innovations. In the last quarter of the year in review, we launched our famous bottled "Samsui Ginger Sauce" in leading supermarkets such as Isetan and NTUC FairPrice Finest after a successful participation in a food trade show in Japan in March 2011.

Dividends

Despite lower profits, the Board of Directors is proposing a final dividend of 0.175 cent per ordinary share to reward our shareholders. Together with the interim dividend of 0.35 cent per ordinary shares paid in August 2011, the total dividend for FY2011 amounted to about 68.6% of the financial year's profit attributable to shareholders. The proposed dividends are subject to the approval of our shareholders during the upcoming Annual General Meeting.

Outlook

We expect the global economic conditions to remain subdued this year, with the outlook clouded by increased uncertainty and financial volatility. However, we are confident that we are able to ride through the uncertainties in the external environment with our continued efforts to increase productivity and efficiency in our operations.

Appreciation

On behalf of the board of directors, I wish to express my appreciation to Mr Jong Voo Hoo, who retired as Independent Director on 28 April 2011, for his contributions to the Group and we wish him all the best in his future endeavours.

Last but not least, I would like to take this opportunity to thank my fellow directors for their guidance, the management and staff for their commitment and dedication and our shareholders for their confidence in us. I would also like to extend my heartfelt thanks to our customers, business associates and suppliers for their support, without which we will not be where we are today.

Mok Yip Peng

Executive Chairman and Managing Director

1 April 2012



Operating and Financial Review

Revenue and Profitability

The Group's revenue increased by 8.9% for the financial year ended 31 December 2011 ("FY2011") to S\$57.9 million, mainly due to the additional contribution from new outlets which commenced business from February 2010. However, this growth in revenue was partially offset by a slight drop in revenue by 1.4% from existing outlets. Revenue from outlets at Changi Airport and Causeway Point were affected by the revamp of the shopping areas at these malls which saw a decrease in human traffic. In addition, revenue of outlets located at some matured shopping malls also faced intense competition by the entrance of new players in the food and beverage ("F&B") market.

Purchases and other consumables increased by S\$1.1 million to S\$14.3 million in FY2011 which was in tandem with the increase in revenue and rising raw materials costs due to shortages in supplies as a result of bad weather conditions and inflation. However, the Group managed to maintain these costs at 24.8% of revenue through tenders and direct import of key raw materials.

Employee benefits expenses were higher at S\$18.4 million in FY2011 compared with S\$16.2 million in the previous year, an increase of 13.6% or S\$2.2 million. This was caused mainly by additional headcount required by new outlets opened during the period, together with a stronger demand for F&B staff which resulted in higher wages as well as higher CPF contribution rates and foreign workers levies.

Depreciation and amortisation expenses also recorded an increase of S\$0.4 million, owing to the acquisition of additional fixed assets during the year for new and existing outlets.

Other operating expenses also rose by 19.0% in tandem with increased business activities, particularly promotion expenses, rental, utilities, professional and legal fees. During the year, we engaged in online marketing to increase market awareness of our brands and to reach out to a wider customer base. The opening of new outlets were the main contributing factor to the increase in rental and utilities expenses which rose about 11.1% in FY2011, compared with the previous year. In addition, the higher other operating expenses

were attributed to the initial setup costs of entering into the Malaysia market as well as the venture into new brands and other related businesses.

As a result, profit before income tax dropped by 37.6% to S\$3.7 million in FY2011 despite the higher revenue registered for the financial year.

Financial and Cash Flow Position

Plant and equipment amounted to S\$6.9 million, an increase of S\$0.5 million as compared with the previous year due to the opening and refurbishment of outlets, expansion of the food processing facilities and a new corporate head office.

Current assets were higher by S\$0.4 million with higher rental deposits, trade and other receivables and prepaid expenses associated with the opening of new outlets. Current liabilities rose by 14.2% primarily due to higher trade and other payables outstanding as at year end for amounts owing to fixed assets vendors.

The Group maintained a healthy cash position at S\$16.4 million as at the financial year end. Net cash generated from operating activities was lower at S\$4.3 million in FY2011 mainly due to lower profits, higher trade and other receivables and more income tax paid during the year. Net cash used in investing activities dropped to S\$2.8 million with lower dividends paid in FY2011.



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.

Mr Mok holds a Bachelor in Civil Engineering from the National University of Singapore.

WONG WEI TECK

(Executive Director)

Mr Wong, a co-founder of the Company, has been appointed as Executive Director since 2000. He is responsible for the corporate development and management of the Group, including management and reporting systems, human resource management and information technology infrastructures.

Mr Wong holds a Bachelor in Civil Engineering and is a Professional Engineer of the Singapore Professional Engineers Board.

WONG CHI KEONG

(Executive Director)

Mr Wong is also a co-founder of the Company and was appointed as Executive Director on 15 June 2011. He is responsible for the setting up, design and project management of new restaurant outlets as well as upgrading and maintenance of existing restaurant outlets.

Mr Wong holds a Master of Science (Civil Engineering) and a Master of Business Administration.

THEN KHEK KOON

(Executive Director)

Mr Then was appointed as Non-Executive Director on 19 September 2004 and was re-designated as Executive Director on 1 January 2012 to enhance corporate and business development of the Group. Mr Then has over 20 years of experience in the petroleum industry and is currently on the board of several companies.

Mr Then graduated from the then University of Singapore and holds a Bachelor of Mechanical Engineering.

PROFESSOR CHAM TAO SOON

(Lead Independent Director)

Professor Cham was appointed as Lead Independent Director on 14 May 2007. He is the Chairman of the Audit Committee and a member of the Nominating and Remuneration Committees. He has more than 30 years of experience in the academia sector and is currently the Chancellor and Chairman of SIM University. He also sits on the board of several public listed companies, including Singapore Press Holdings Ltd and United Overseas Bank Ltd.

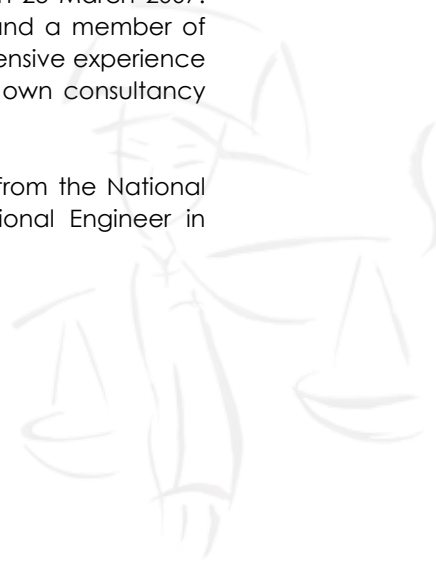
Professor Cham Holds a Bachelor of Engineering (Civil, Honours) from the University of Malaya, a Bachelor of Science (Mathematics, Honours) from the University of London and a Doctorate of Philosophy (Fluid Mechanics) from Cambridge University.

CHUA KOH MING

(Independent Director)

Mr Chua was appointed as Independent Director on 23 March 2007. He is the Chairman of the Nominating Committee and a member of the Audit and Remuneration Committees. He has extensive experience in the engineering field and has been providing his own consultancy services to the construction industry since 2006.

Mr Chua holds a Bachelor of Electrical Engineering from the National University of Singapore and is a registered Professional Engineer in practice.



Board of Directors

JONG VOON HOO

(Independent Director)*

Mr Jong was appointed as Independent Director on 23 March 2007. He was a member of the Audit, Nominating and Remuneration Committees. He has more than 15 years of experience in accounting, auditing and corporate finance. He is currently the Chief Financial Officer of Youcan Foods International Limited and a member of ICPAS's CFO Committee.

Mr Jong is a Certified Public Accountant in Singapore and holds a Bachelor of Accounting (Honours) from Nanyang Technology University.

* Retired on 28 April 2011 as Independent Director.

SAW MENG TEE

(Independent Director)

Mr Saw was appointed as Independent Director on 23 March 2007. He is the Chairman of the Remuneration Committee and a member of the Audit and Nominating Committees. He has vast experience in the audit and finance industry and serves on the board of several private and public-listed companies. He is also a partner of a CPA firm which he established in 1999.

He holds a Bachelor of Accountancy from Nanyang Technology University and is a Certified Public Accountant and a Fellow of the Insolvency Practitioners Association of Singapore.

Key Executives

VICTOR LEE NGAI MENG

(Senior Manager, Operations)

Mr Lee joined the Group in 1998 and manages the day-to-day operations of restaurant outlets as well as the setting up of new outlets. He brings with him many years of experience in the food and beverage industry. Prior to joining the Group, he worked as restaurant manager in Boat Quay Restaurant and Lake Garden Restaurant from 1994 to 1996.

Mr Lee holds a GCE "N" level qualification and has obtained an Industry Trainer Certificate in Coaching Skills from the Institute of Technical Education Singapore.

NG ENG CHYUAN

(Senior Manager, New Venture Development)*

Mr Ng, is responsible for the new venture development 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 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 of the Food Processing Facility and the food products trading functions of the Group. Prior to joining the Group in 2002, he has accumulated more than 10 years of working experience in restaurants, catering and food production.

Mr Chan was awarded a Certificate in Hotel Skills (Food Production) from the Singapore Hotel Association Training and Education Centre in 1989.

TOH YEN SANG

(Senior Manager, Finance)

Ms Toh oversees the Group's accounts and is responsible for the financial reporting and corporate secretarial functions of the Group. She is also the Company Secretary for the Company and its subsidiaries in Singapore. She had worked as Accountant in public-listed and private companies before joining the Group in 2003.

Ms Toh holds a Bachelor of Business Administration from the National University of Singapore and a Graduate Diploma in Human Resource Management from the Singapore Institute of Management. She has been a Certified Public Accountant registered with the Institute of Certified Public Accountants of Singapore since 2004.

AUDREY NG WEE YEN

(Senior Manager, HR & Administration)

Ms Ng manages the Group's overall human resource and administration functions. She started working in the Group in 2000 and was involved in setting up office and documentation management 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.

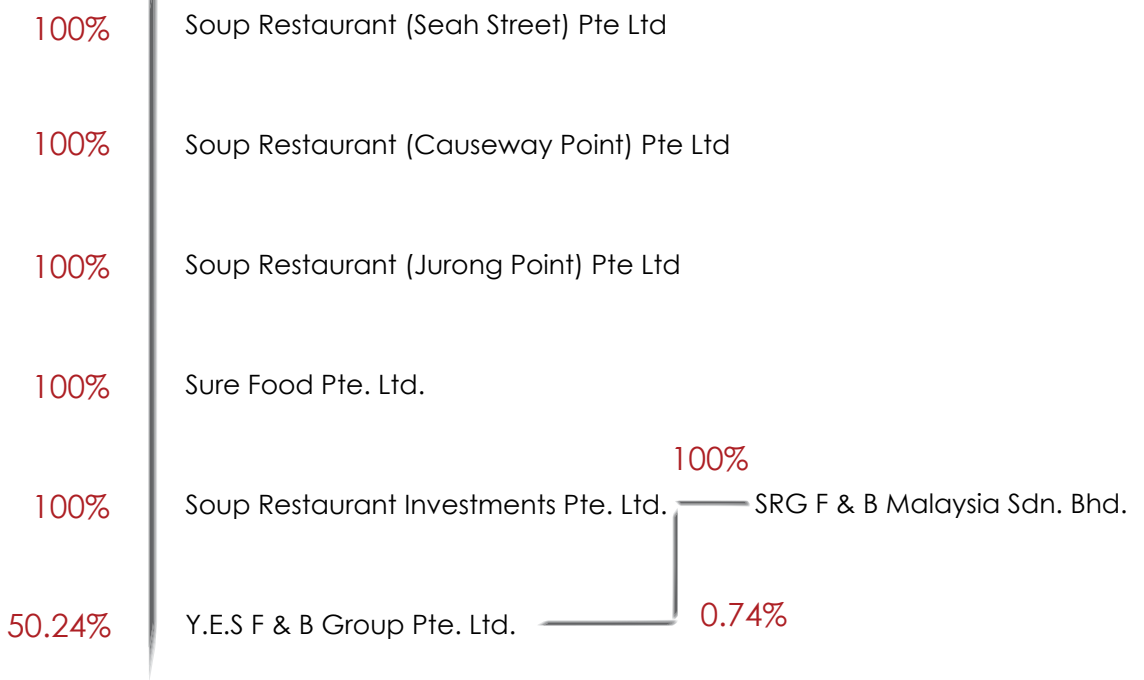
Ms Ng holds a Diploma in Administrative Management from Thames International Management Centre.

* Resigned on 19 September 2011

Corporate Structure



Soup Restaurant Group Limited



Corporate Information

Board of Directors

Chairman

Mok Yip Peng

Members

Wong Wei Teck

Wong Chi Keong

Then Khek Koon

Professor Cham Tao Soon

Chua Koh Ming

Saw Meng Tee

Audit Committee

Chairman

Professor Cham Tao Soon

Members

Chua Koh Ming

Saw Meng Tee

Nominating Committee

Chairman

Chua Koh Ming

Members

Professor Cham Tao Soon

Mok Yip Peng

Saw Meng Tee

Remuneration Committee

Chairman

Saw Meng Tee

Members

Professor Cham Tao Soon

Chua Koh Ming

Company Secretary

Toh Yen Sang

Registered Office

150 Kampong Ampat

#04-01 KA Centre

Singapore 368324

Tel: +65 6222 4668

Fax: +65 6222 4667

Email: email@souprestaurant.com.sg

Website: www.souprestaurant.com.sg

Share Registrar

Boardroom Corporate &

Advisory Services Pte. Ltd.

50 Raffles Place

#32-01 Singapore Land Tower

Singapore 048623

Auditors

BDO LLP

Certified Public Accountants

21 Merchant Road

#05-01 Royal Merukh S.E.A. Building

Singapore 058267

Partner-in-charge

Lew Wan Ming (Appointed since

financial year ended 31 December 2008)





Reunite with your old
favourites at home



Savour the delectable, authentic Chinatown legacy with Soup Restaurant, Singapore's first and only House of Chinatown Heritage Cuisine. Designed for the gourmet palate, they'll make your rendition of our much-loved local favourites the next best thing to dining at our restaurants.

everyday is a reunion with us

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 2011.

(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 2011 are disclosed below:

| Name | Board | | Audit Committee | | Nominating Committee | | Remuneration Committee | |
|-------------------------------|-------|----------|-----------------|----------|----------------------|----------|------------------------|----------|
| | held | attended | held | attended | held | attended | held | Attended |
| Mok Yip Peng | 3 | 3 | – | – | 1 | 1 | – | – |
| Wong Wei Teck | 3 | 3 | – | – | – | – | – | – |
| Wong Chi Keong ⁽¹⁾ | 3 | 2 | – | – | – | – | – | – |
| Then Khek Koon ⁽²⁾ | 3 | 3 | – | – | – | – | – | – |
| Cham Tao Soon | 3 | 3 | 2 | 2 | 1 | 1 | 2 | 2 |
| Chua Koh Ming | 3 | 3 | 2 | 2 | 1 | 1 | 2 | 2 |
| Jong Voon Hoo ⁽³⁾ | 3 | 1 | 2 | 1 | 1 | 1 | 2 | 1 |
| Saw Meng Tee | 3 | 3 | 2 | 2 | 1 | 1 | 2 | 2 |

Notes:

1. Mr Wong Chi Keong was appointed as Executive Director on 15 June 2011
2. Mr Then Khek Koon was re-designated as Executive Director on 1 January 2012
3. Mr Jong Voon Hoo retired as Independent Director on 28 April 2011

Corporate Governance Report

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.

The Company encourages its 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 as follows:

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

The Nominating Committee has reviewed the independent element of the Board and is of the view that the Independent Directors are considered independent as they do not have any existing business or professional relationship with the Company and its related companies or its officers or substantial shareholders.

The appointment of a Lead Independent Director and two Independent Directors 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 also satisfied that it comprises directors with a variety of skills, expertise and working experiences to provide core competencies such as accounting and finance, business and management experience, industry knowledge, strategic planning experience and customer based experience and 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 Mr Mok Yip Peng's concurrent appointment as the Executive Chairman and Managing Director, Professor Cham Tao Soon was appointed as the Lead Independent Director, who is available to shareholders where they have concerns which contact through the normal channels of the Chairman and Managing Director has failed to resolve or for which such contact is inappropriate.

Corporate Governance Report

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 Mr Chua Koh Ming as Chairman, Professor Cham Tao Soon, Mr Saw Meng Tee and Mr 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.

Corporate Governance Report

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. 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 fulfil his role and responsibilities as a director.

(B) REMUNERATION MATTERS

Principle 7: Procedures for Developing Remuneration Policies

The Remuneration Committee comprises Mr Saw Meng Tee as Chairman, Professor Cham Tao Soon and Mr Chua Koh Ming 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.

Corporate Governance Report

The Executive Directors do not receive directors' fees. The remuneration for the Executive Directors comprises a basic salary and a variable performance bonus, based on the performance of the Group. The 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 2011 is as follows:

| Remuneration Band | Salary ⁽¹⁾ | Performance Bonus | Directors' Fee ⁽²⁾ | Total |
|-----------------------------|-----------------------|-------------------|-------------------------------|-------|
| | % | % | % | % |
| S\$250,000 and above | | | | |
| Mok Yip Peng | 83 | 17 | – | 100 |
| Wong Wei Teck | 85 | 15 | – | 100 |
| Below S\$250,000 | | | | |
| Wong Chi Keong | 78 | 22 | – | 100 |
| Then Khek Koon | – | – | 100 | 100 |
| Professor Cham Tao Soon | – | – | 100 | 100 |
| Chua Koh Ming | – | – | 100 | 100 |
| Jong Voon Hoo | – | – | 100 | 100 |
| Saw Meng Tee | – | – | 100 | 100 |

The summary of key executives' remuneration for the year ended 31 December 2011 is as follows:

| Remuneration Band | Salary ⁽¹⁾ | Bonus | Total |
|-----------------------------|-----------------------|-------|-------|
| | % | % | % |
| Below S\$250,000 | | | |
| Victor Lee Ngai Meng | 85 | 15 | 100 |
| Ng Eng Chyuan | 92 | 8 | 100 |
| Chan Chee Hung | 86 | 14 | 100 |
| Toh Yen Sang ⁽³⁾ | 85 | 15 | 100 |
| Audrey Ng Wee Yen | 87 | 13 | 100 |

Notes:

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

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

Corporate Governance Report

(C) ACCOUNTABILITY AND AUDIT

Principle 10: Accountability

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

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

Principle 11: Audit Committee

The Audit Committee comprises Professor Cham Tao Soon as Chairman, Mr Chua Koh Ming and Mr 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.

Corporate Governance Report

Principle 12: Internal Controls

The Board recognises the importance of maintaining a sound system of internal controls to safeguard the shareholders' investments and the Group's assets.

The Audit Committee, together with the Board, reviewed the effectiveness of the Group's system of internal controls put in place to address the key financial, operational and compliance risks affecting the operations.

The Board of directors with the concurrence of the Audit Committee are satisfied that there are adequate internal controls to address the financial, operational and compliance risks in the Group.

Principle 13: Internal Audit

The Company has continued to engage Crowe 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 activities of the internal auditors on a regular basis, including overseeing and monitoring of the implementation of the improvements required on internal control weaknesses identified.

(D) COMMUNICATION WITH SHAREHOLDERS

Principle 14: Communication with Shareholders

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

Principle 15: Greater Shareholder Participation

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

RISK MANAGEMENT

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

The Company does not have a Risk Management Committee. However, the Board of Directors will regularly review the 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.

Corporate Governance Report

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.

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 2011 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.

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 2011, the statement of financial position of the Company as at 31 December 2011 and the statement of changes in equity of the Company for the financial year ended 31 December 2011.

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
 Saw Meng Tee (Su Mingzhi)
 Wong Chi Keong (Appointed on 15 June 2011)

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 1.1.2011 or date of appointment, if later | Balance as at 31.12.2011 | Balance as at 1.1.2011 or date of appointment, if later | Balance as at 31.12.2011 |
| The Company | Number of ordinary shares | | | |
| Mok Yip Peng | 55,683,600 | 55,683,600 | – | – |
| Wong Wei Teck | 41,091,900 | 41,091,900 | – | – |
| Wong Chi Keong | 39,091,800 | 39,091,800 | – | – |
| Then Khek Koon | – | – | 27,945,000 | 27,945,000 |
| Professor Cham Tao Soon | 300,000 | 300,000 | 200,000 | 200,000 |
| Chua Koh Ming | 300,000 | 300,000 | – | – |
| Saw Meng Tee (Su Mingzhi) | 300,000 | 300,000 | – | – |

Report of the Directors

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 2012 in the shares of the Company have not changed from those disclosed as at 31 December 2011.

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 required to be 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 under options of the Company or its subsidiaries 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
Saw Meng Tee (Su Mingzhi)

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.

The Audit Committee also reviewed the following:

- assistance provided by the Company's officers to the internal and external auditors;

Report of the Directors

6. Audit committee (Continued)

- 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;
- interested person transactions (as defined in Chapter 9 of the SGX Listing Manual);
- the re-appointment of the external auditors of the Group; and
- the half-yearly and annual announcements as well as the related press releases on the results and financial position of the Group and the Company

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 and internal 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 extent 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 Chi Keong

Director

Singapore
1 April 2012

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 of Company are drawn up 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 2011 and of the results, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended; 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 Chi Keong
Director

Singapore
1 April 2012

Independent Auditors' Report

to the Members of Soup Restaurant Group Limited

Report on the Consolidated Financial Statements

We have audited the accompanying financial statements of Soup Restaurant Group Limited (the "Company") and its subsidiaries (the "Group"), which comprise the statements of financial position of the Group and of the Company as at 31 December 2011, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated 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 information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the "Act") and Singapore Financial Reporting Standards, and for 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.

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 about 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 of the financial statements that give a true and fair view 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

Report on the Consolidated Financial Statements (continued)

Opinion

In our opinion, the consolidated financial statements of the Group and the statement of financial position and statement of changes of 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 2011 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.

Report on Other Legal and Regulatory Requirements

In our opinion, 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
1 April 2012

Statements of Financial Position

As at 31 December 2011

| | Note | Group | | Company | |
|--|------|------------|------------|------------|------------|
| | | 2011 \$ | 2010 \$ | 2011 \$ | 2010 \$ |
| Non-current assets | | | | | |
| Plant and equipment | 4 | 6,936,588 | 6,394,727 | 603,308 | 407,241 |
| Investments in subsidiaries | 5 | – | – | 694,161 | 694,161 |
| Intangible assets | 6 | 10,176 | 11,605 | – | – |
| | | 6,946,764 | 6,406,332 | 1,297,469 | 1,101,402 |
| Current assets | | | | | |
| Inventories | 7 | 181,686 | 145,746 | – | 145,746 |
| Trade and other receivables | 8 | 4,950,242 | 3,908,635 | 1,812,002 | 1,808,115 |
| Fixed deposits with banks | 9 | 4,542,070 | 6,040,990 | 4,542,070 | 6,040,990 |
| Cash and bank balances | 9 | 11,859,906 | 11,063,035 | 2,539,089 | 2,759,044 |
| Current income tax recoverable | | 12,726 | – | – | – |
| | | 21,546,630 | 21,158,406 | 8,893,161 | 10,753,895 |
| Less: | | | | | |
| Current liabilities | | | | | |
| Trade and other payables | 10 | 6,184,295 | 5,284,830 | 1,214,519 | 2,158,818 |
| Provisions | 11 | 675,378 | 612,302 | 44,377 | 46,098 |
| Current income tax payable | | 863,881 | 867,156 | 25,000 | – |
| | | 7,723,554 | 6,764,288 | 1,283,896 | 2,204,916 |
| Net current assets | | 13,823,076 | 14,394,118 | 7,609,265 | 8,548,979 |
| Non-current liability | | | | | |
| Deferred tax liabilities | 12 | (502,454) | (624,827) | (16,200) | (16,200) |
| Net assets | | 20,267,386 | 20,175,623 | 8,890,534 | 9,634,181 |
| Equity | | | | | |
| Share capital | 13 | 6,592,761 | 6,592,761 | 6,592,761 | 6,592,761 |
| Translation reserve | 14 | (591) | – | – | – |
| Accumulated profits | | 9,740,571 | 10,002,467 | 2,297,773 | 3,041,420 |
| Equity attributable to owners of the parent | | 16,332,741 | 16,595,228 | 8,890,534 | 9,634,181 |
| Non-controlling interests | | 3,934,645 | 3,580,395 | – | – |
| Total equity | | 20,267,386 | 20,175,623 | 8,890,534 | 9,634,181 |

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

Consolidated Statements of Comprehensive Income

For the Financial Year ended 31 December 2011

| | Note | 2011 \$ | 2010 \$ |
|--|------|------------------|------------------|
| Revenue | 15 | 57,873,507 | 53,125,922 |
| Other items of income | | | |
| Interest income | | 22,542 | 29,068 |
| Other income | 16 | 426,746 | 561,920 |
| Other items of expenses | | | |
| Changes in inventories | | 35,940 | 92,327 |
| Purchases and other consumables | | (14,340,064) | (13,283,106) |
| Employee benefits expenses | 17 | (18,351,920) | (16,156,414) |
| Depreciation and amortisation expenses | | (2,308,484) | (1,909,823) |
| Other expenses | | (19,638,917) | (16,499,350) |
| Finance costs | 18 | (20,136) | (28,950) |
| Profit before income tax | 19 | 3,699,214 | 5,931,594 |
| Income tax expense | 20 | (819,610) | (1,008,595) |
| Profit for the year | | 2,879,604 | 4,922,999 |
| Other comprehensive income | | | |
| Exchange difference on translating foreign operation | | (591) | – |
| Income tax relating to component of other comprehensive income | | – | – |
| Other comprehensive income for the year, net of tax | | (591) | – |
| Total comprehensive income for the year | | 2,879,013 | 4,922,999 |
| Profit for the year attributable to: | | | |
| - Owners of the parent | | 2,275,354 | 3,785,322 |
| - Non-controlling interests | | 604,250 | 1,137,677 |
| | | 2,879,604 | 4,922,999 |
| Total comprehensive income attributable to: | | | |
| - Owners of the parent | | 2,274,763 | 3,785,322 |
| - Non-controlling interests | | 604,250 | 1,137,677 |
| | | 2,879,013 | 4,922,999 |
| Earnings per share attributable to owners of the parent (cents) | | | |
| Basic and diluted | 21 | 0.76 | 1.27 |

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

Statements of Changes in Equity

For the Financial Year ended 31 December 2011

| | Equity attributable to owners of the parent | | | | Non-controlling interests | Total equity | |
|---|---|---------------------|---------------------------|---------------------------|-----------------------------|-----------------------------------|---------------------|
| | Note | Share capital \$ | Translation reserve \$ | Accumulated profits \$ | | | Total \$ |
| Group | | | | | | | |
| Balance at 1.1.2011 | | 6,592,761 | - | 10,002,467 | 16,595,228 | 3,580,395 | 20,175,623 |
| Total comprehensive income for the year: | | | | | | | |
| Profit for the year | | - | - | 2,275,354 | 2,275,354 | 604,250 | 2,879,604 |
| Other comprehensive income: | | | | | | | |
| Exchange difference on translating foreign operation | | - | (591) | - | (591) | - | (591) |
| Total comprehensive income for the year | | - | (591) | 2,275,354 | 2,274,763 | 604,250 | 2,879,013 |
| Dividends | 22 | - | - | (2,537,250) | (2,537,250) | (250,000) | (2,787,250) |
| Balance at 31.12.2011 | | 6,592,761 | (591) | 9,740,571 | 16,332,741 | 3,934,645 | 20,267,386 |
| Balance at 1.1.2010 | | 6,592,761 | - | 10,246,895 | 16,839,656 | 2,442,718 | 19,282,374 |
| Profit for the year, representing total comprehensive income for the year | | - | - | 3,785,322 | 3,785,322 | 1,137,677 | 4,922,999 |
| Dividends | 22 | - | - | (4,029,750) | (4,029,750) | - | (4,029,750) |
| Balance at 31.12.2010 | | 6,592,761 | - | 10,002,467 | 16,595,228 | 3,580,395 | 20,175,623 |
| | | | | Note | Share capital \$ | Accumulated profits \$ | Total \$ |
| Company | | | | | | | |
| Balance at 1.1.2011 | | | | | 6,592,761 | 3,041,420 | 9,634,181 |
| Profit for the year, representing total comprehensive income for the year | | | | | - | 1,793,603 | 1,793,603 |
| Dividends | | | 22 | | - | (2,537,250) | (2,537,250) |
| Balance at 31.12.2011 | | | | | 6,592,761 | 2,297,773 | 8,890,534 |
| Balance at 1.1.2010 | | | | | 6,592,761 | 3,955,467 | 10,548,228 |
| Profit for the year, representing total comprehensive income for the year | | | | | - | 3,115,703 | 3,115,703 |
| Dividends | | | 22 | | - | (4,029,750) | (4,029,750) |
| Balance at 31.12.2010 | | | | | 6,592,761 | 3,041,420 | 9,634,181 |

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

Consolidated Statement of Cash Flows

For the Financial Year ended 31 December 2011

| | Note | 2011 \$ | 2010 \$ |
|--|------|-------------|-------------|
| Cash flows from operating activities | | | |
| Profit before income tax | | 3,699,214 | 5,931,594 |
| Adjustments for: | | | |
| Amortisation of intangible assets | 6 | 1,429 | 1,369 |
| Depreciation of plant and equipment | 4 | 2,307,055 | 1,908,454 |
| Interest expense | 18 | 20,136 | 28,950 |
| Interest income | | (22,542) | (29,068) |
| Net gain on disposal of plant and equipment | | (500) | (4,703) |
| Plant and equipment written off | 19 | 13,605 | 14,242 |
| Provision for unutilise leave | | 21,462 | 72,013 |
| Translation differences | | (591) | – |
| Operating profit before working capital changes | | 6,039,268 | 7,922,851 |
| Working capital changes: | | | |
| Inventories | | (35,940) | (92,327) |
| Trade and other receivables | | (1,041,607) | (261,727) |
| Trade and other payables | | 244,821 | 108,583 |
| Cash generated from operations | | 5,206,542 | 7,677,380 |
| Income taxes paid | | (957,983) | (496,872) |
| Interest received | | 22,542 | 29,068 |
| Net cash from operating activities | | 4,271,101 | 7,209,576 |
| Cash flows from investing activities | | | |
| Proceeds from disposal of plant and equipment | | 500 | 6,100 |
| Purchase of plant and equipment | 4 | (2,186,400) | (2,044,297) |
| Purchase of intangible assets | 6 | – | (1,128) |
| Net cash used in investing activities | | (2,185,900) | (2,039,325) |
| Cash flows from financing activities | | | |
| Dividends paid | | (2,537,250) | (4,029,750) |
| Dividends paid to non-controlling interests | | (250,000) | – |
| Net cash used in financing activities | | (2,787,250) | (4,029,750) |
| Net change in cash and cash equivalents | | (702,049) | 1,140,501 |
| Cash and cash equivalents at beginning of financial year | | 17,104,025 | 15,963,524 |
| Cash and cash equivalents at end of financial year | 9 | 16,401,976 | 17,104,025 |

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

Notes to the Financial Statements

For the Financial Year ended 31 December 2011

These notes form an integral part of and should be read in conjunction with the accompanying 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 2011 were authorised for issue in accordance with a directors’ resolution dated 1 April 2012.

The Company is a public limited company, incorporated and domiciled in Singapore with its registered office and principal place of business at 150 Kampong Ampat, #04-01, KA Centre, Singapore 368324. The Company’s registration number is 199103597Z.

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

2. Summary of significant accounting policies

2.1 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 Group entity are measured and presented 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.

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.

Notes to the Financial Statements

For the Financial Year ended 31 December 2011

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation of financial statements (Continued)

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 has adopted all the new and revised FRS and INT FRS that are relevant to its operations and effective for the current financial year. The adoption of these new/revised FRS and INT FRS does not result in changes to the Group's accounting policies and has no material effect on the amounts reported for the current or prior years.

FRS and INT FRS issued but not yet effective

At the date of authorisation of these financial statements, the following FRS that are relevant to the Group were issued but not effective:

| | | Effective date (annual periods beginning on or after) |
|---------|--|--|
| FRS 1 | Amendments to FRS 1 – Presentation of item of other comprehensive income | 1 July 2012 |
| FRS 12 | Amendments to FRS 12 Deferred tax: Recovery of underlying assets | 1 January 2012 |
| FRS 19 | Employee benefits | 1 January 2013 |
| FRS 27 | Separate financial statements | 1 January 2013 |
| FRS 28 | Investment in associate and joint ventures | 1 January 2013 |
| FRS 101 | Amendments to FRS 101 Severe hyperinflation and removal of fixed dates for first-time adopters | 1 July 2011 |
| FRS 107 | Amendments to FRS 107 Disclosures – Transfer of financial assets | 1 July 2011 |
| FRS 110 | Consolidated financial statements | 1 January 2013 |
| FRS 111 | Joint arrangements | 1 January 2013 |
| FRS 112 | Disclosure of interests in other entities | 1 January 2013 |
| FRS 113 | Fair value measurements | 1 January 2013 |

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 in future periods will have no material impact on the financial statements of the Group in the period of their initial adoption.

Notes to the Financial Statements

For the Financial Year ended 31 December 2011

2. Summary of significant accounting policies (Continued)

2.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. Subsidiaries are entities (including special purposes entities) over which the Company has the power to govern the financial operating policies, generally accompanied by a shareholding giving rise to the majority of the voting rights, as to obtain benefits from their activities.

Subsidiaries are consolidated from the date on which control is transferred to the Group up to the effective date on which control ceases, as appropriate.

Intra-group balances and transactions and any unrealised income and expenses arising from intra-group transactions are eliminated on consolidation. Unrealised gains arising from transactions with associates and joint ventures are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no impairment.

The financial statements of the subsidiaries are prepared for the same reporting period as that of the Company, using consistent accounting policies. Where necessary, accounting policies of subsidiaries are changed to ensure consistency with the policies adopted by other members of the Group.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. Non-controlling interests in the acquiree may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under *FRS 39 Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

Investments in subsidiaries are carried at cost less any impairment loss that has been recognised in profit or loss.

Notes to the Financial Statements

For the Financial Year ended 31 December 2011

2. Summary of significant accounting policies (Continued)

2.3 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 loss, 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.

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 |
| Machinery | 10 |
| Motor vehicles | 6 |
| 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.

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

Notes to the Financial Statements

For the Financial Year ended 31 December 2011

2. Summary of significant accounting policies (Continued)

2.4 Intangible assets

Trademarks

Trademarks are stated at cost less accumulated amortisation and accumulated impairment loss, 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.

2.5 Impairment of tangible and intangible assets

At the end of each financial year, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

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. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

2.6 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.

Notes to the Financial Statements

For the Financial Year ended 31 December 2011

2. Summary of significant accounting policies (Continued)

2.6 Inventories (Continued)

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.

2.7 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 and cash and cash equivalents 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 with banks" 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 financial assets are recognised on trade-date, the date on which the Group and the Company commit to purchase or sell the asset.

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

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 loss, if any.

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating the interest income or expense over the relevant period. The effective interest rate exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument, or where appropriate, a shorter period, to the net carrying amount of the financial instrument. 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.

Notes to the Financial Statements

For the Financial Year ended 31 December 2011

2. Summary of significant accounting policies (Continued)

2.7 Financial assets (Continued)

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 loss is recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed either directly or by adjusting an allowance account. Any subsequent reversal of an impairment loss 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.

2.8 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.

Recognition and derecognition

Financial liabilities 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.

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.

Notes to the Financial Statements

For the Financial Year ended 31 December 2011

2. Summary of significant accounting policies (Continued)

2.9 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.

2.10 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.

2.11 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits which are subject to insignificant risk of changes in value.

2.12 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 in accordance with the substance of the relevant agreement. Royalty arrangements are based on sales and are recognised by reference to the underlying arrangement.

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

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.

Notes to the Financial Statements

For the Financial Year ended 31 December 2011

2. Summary of significant accounting policies (Continued)

2.13 Employee benefits

Retirement benefit costs

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes, such as the Singapore Central Provident Fund, are dealt with as payments to defined contribution plans where the Group's obligation under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

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.

2.14 Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to an asset, the fair value is recognised as deferred capital grant on the statement of financial position and is amortised to profit or loss over the expected useful life of the relevant asset by equal annual instalment.

Jobs Credit Scheme ("JCS")

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.

In October 2009, the Government announced that the Jobs Credit Scheme would be extended for half a year with another 2 payments at stepped-down rates in March and June 2010 based on 6% of wages to be paid in March 2010 and 3% of wages to be paid in June 2010.

Flexi-Works! Scheme ("FW")

Flexi-Works! is an initiative by Singapore Workforce Development Agency and National Trade Union Congress for companies to hire new workers on part-time or flexible work arrangements. The scheme offers a grant of up to \$100,000 to support a company's efforts in introducing flexible work arrangements and for recruiting eligible workers on part-time or flexible work arrangements. This programme has been extended to run from 1 April 2010 to 31 December 2012.

Notes to the Financial Statements

For the Financial Year ended 31 December 2011

2. Summary of significant accounting policies (Continued)

2.14 Government grants (Continued)

Skills Programme for Upgrading and Resilience Scheme ("SPUR")

SPUR is an enhanced funding scheme developed to scale up training programmes to help companies and workers during the recent economic downturn and build strong capabilities for the recovery. It helps employers to better manage their excess manpower during the downturn and upgrade their workers and capabilities to strengthen business competitiveness when the economy recovers.

Capability Development Scheme (Enterprise) ("CDS")

CDS is a scheme to facilitate the development of a broad range of firm-level capabilities for the purpose of developing key competencies for long-term growth, including boosting service standards, developing technology innovations, or grooming business leaders. These capability programmes enable enterprises to successfully compete and grow in the global marketplace. Examples include branding, design, intellectual property, manpower, franchising and licensing, joint venture, market studies and e-commerce. The government will support certain percentage of capability development costs for the following eligible areas: manpower, hardware and software costs, engagement of third-party consultants, and acquisition of relevant intellectual property.

Corporate Income Tax Rebate ("CITR") or SME Cash Grant ("SCG")

The Singapore government introduced CITR or SCG in its Budget for 2011 to help companies cope with the rising costs of doing business.

A 20% CITR, subject to a cap of \$10,000, will be allowed for each company and will be computed on the tax payable amount after deducting tax set-offs. A one-off SCG of 5% on total revenue, subject to a cap of \$5,000. The Company will receive the CITR or SCG whichever is the higher amount.

Special Employment Credit ("SEC")

The Singapore government introduced a Special Employment Credit as part of the 2011 Budget Initiatives to support employee aged above 55 and earning up to \$1,700 a month. The SEC will run for three years and applies to eligible employees who are on the Company's payroll anytime from January 2011 to December 2013.

Skills Development Fund ("SDF")

The SDF offers assistance specifically as incentives for companies to undertake worker training. The SDF assistance is awarded only for employer-based training to ensure that training has the accountability of the workplace. The company must identify the training required to upgrade its employees and undertake to fully fund the training programmes.

Notes to the Financial Statements

For the Financial Year ended 31 December 2011

2. Summary of significant accounting policies (Continued)

2.14 Government grants (Continued)

Skills Redevelopment Programme ("SRP")

Under the SRP scheme, trainees are given an allowance for attending the courses. The allowance is called absentee payroll and depending on the number of hours attended, trainees will be reimbursed.

Recognition

The Company recognises the amounts received for JCS, FW, SPUR, CITR and/or SCG, SEC, SDF and SRP at their fair value as other income in the month of receipt of these grants from the government.

CDS grant is not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and the grants will be received. The CDS grant is recognised as income over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis.

2.15 Leases

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.

2.16 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.

Notes to the Financial Statements

For the Financial Year ended 31 December 2011

2. Summary of significant accounting policies (Continued)

2.16 Income tax expense (Continued)

Deferred tax is recognised 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.

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.

2.17 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.

2.18 Foreign currency transactions and translation

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rate of exchange prevailing on the date of the transaction. At the end of each financial year, monetary items denominated in foreign currencies are retranslated at the rates prevailing as of the end of the financial year. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Notes to the Financial Statements

For the Financial Year ended 31 December 2011

2. Summary of significant accounting policies (Continued)

2.18 Foreign currency transactions and translation (Continued)

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in Singapore dollars using exchange rates prevailing at the end of the financial year. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings and other currency instruments designated as hedges of such investments, are taken to the foreign currency translation reserve.

2.19 Contingencies

A contingent liability is:

- (a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or
- (b) a present obligation that arises from past events but is not recognised because:
 - (i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
 - (ii) the amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingencies are not recognised on the statement of position of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair value can be reliably determined.

Notes to the Financial Statements

For the Financial Year ended 31 December 2011

3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in Note 2, management made judgements, estimates and assumptions about the carrying amounts of assets and liabilities that were not readily apparent from other sources.

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.

(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 2011 were \$6,936,588 (2010: \$6,394,727) and \$603,308 (2010: \$407,241) 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 loss of trade and other receivables

The management establishes allowance for impairment loss 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 (excluding the prepayments) at 31 December 2011 were \$4,607,967 (2010: \$3,789,600) and \$1,787,764 (2010: \$1,780,297) respectively.

Notes to the Financial Statements

For the Financial Year ended 31 December 2011

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

Key sources of estimation uncertainty (Continued)

(iii) 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 2011 was \$863,881 (2010: \$867,156) and \$25,000 (2010: \$Nil) respectively. The carrying amounts of the Group's and Company's current income tax recoverable at 31 December 2011 was \$12,726 (2010: \$Nil) and \$Nil (2010: \$Nil). The carrying amounts of the Group's and the Company's deferred tax liabilities at 31 December 2011 were \$502,454 (2010: \$624,827) and \$16,200 (2010: \$16,200) respectively.

Notes to the Financial Statements

For the Financial Year ended 31 December 2011

4. Plant and equipment

| Group | Air- Conditioners | Computer | Electrical equipment | Furniture and fittings | Kitchen equipment | Machinery | Motor vehicles | Office equipment | Renovation | Total |
|-------------------------------------|----------------------|----------|-------------------------|---------------------------|----------------------|-----------|-------------------|---------------------|------------|------------|
| 2011 | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Cost | | | | | | | | | | |
| Balance at 1.1.2011 | 1,191,360 | 493,842 | 979,483 | 1,668,159 | 2,666,061 | - | 123,547 | 81,483 | 5,829,849 | 13,033,784 |
| Additions | 257,693 | 97,932 | 344,162 | 416,821 | 386,796 | 216,511 | - | 60,088 | 1,082,001 | 2,862,004 |
| Disposals | - | (1,500) | - | - | - | - | - | - | - | (1,500) |
| Written off | - | (9,755) | (3,246) | (35,781) | (17,844) | - | - | (1,541) | (6,170) | (74,337) |
| Exchange translation differences | - | - | 24 | 211 | - | - | - | - | 298 | 533 |
| Balance at 31.12.2011 | 1,449,053 | 580,519 | 1,320,423 | 2,049,410 | 3,035,013 | 216,511 | 123,547 | 140,030 | 6,905,978 | 15,820,484 |
| Accumulated depreciation | | | | | | | | | | |
| Balance at 1.1.2011 | 471,747 | 284,105 | 472,588 | 636,494 | 1,223,989 | - | 117,718 | 57,031 | 3,375,385 | 6,639,057 |
| Depreciation for the financial year | 192,133 | 133,322 | 156,644 | 263,805 | 388,251 | 5,042 | 4,663 | 12,165 | 1,151,030 | 2,307,055 |
| Disposals | - | (1,500) | - | - | - | - | - | - | - | (1,500) |
| Written off | - | (9,755) | (3,211) | (29,989) | (14,142) | - | - | (1,541) | (2,094) | (60,732) |
| Exchange translation differences | - | - | - | 4 | - | - | - | - | 12 | 16 |
| Balance at 31.12.2011 | 663,880 | 406,172 | 626,021 | 870,314 | 1,598,098 | 5,042 | 122,381 | 67,655 | 4,524,333 | 8,883,896 |
| Net carrying amount | | | | | | | | | | |
| Balance at 31.12.2011 | 785,173 | 174,347 | 694,402 | 1,179,096 | 1,436,915 | 211,469 | 1,166 | 72,375 | 2,381,645 | 6,936,588 |

Notes to the Financial Statements

For the Financial Year ended 31 December 2011

4. Plant and equipment (Continued)

| Group 2010 Cost | Air- conditioners \$ | Computer \$ | Electrical equipment \$ | Furniture and fittings \$ | Kitchen equipment \$ | Motor vehicles \$ | Office equipment \$ | Renovation \$ | Total \$ |
|--|----------------------------|----------------|-------------------------------|---------------------------------|----------------------------|-------------------------|---------------------------|------------------|-------------|
| Balance at 1.1.2010 | 946,526 | 368,849 | 905,539 | 1,263,880 | 2,337,054 | 123,547 | 78,285 | 4,853,589 | 10,877,269 |
| Additions | 276,068 | 136,475 | 137,408 | 492,877 | 470,394 | – | 7,499 | 1,212,498 | 2,733,219 |
| Disposals | – | – | – | (49,780) | (60,043) | – | – | – | (109,823) |
| Written off | (31,234) | (11,482) | (63,464) | (38,818) | (81,344) | – | (4,301) | (236,238) | (466,881) |
| Balance at 31.12.2010 | 1,191,360 | 493,842 | 979,483 | 1,668,159 | 2,666,061 | 123,547 | 81,483 | 5,829,849 | 13,033,784 |
| Accumulated depreciation | | | | | | | | | |
| Balance at 1.1.2010 | 345,612 | 187,345 | 384,592 | 512,015 | 975,502 | 105,569 | 49,992 | 2,731,041 | 5,291,668 |
| Depreciation for the financial year | 157,369 | 107,902 | 148,043 | 213,043 | 381,073 | 12,149 | 11,340 | 877,535 | 1,908,454 |
| Disposals | – | – | – | (49,746) | (58,680) | – | – | – | (108,426) |
| Written off | (31,234) | (11,142) | (60,047) | (38,818) | (73,906) | – | (4,301) | (233,191) | (452,639) |
| Balance at 31.12.2010 | 471,747 | 284,105 | 472,588 | 636,494 | 1,223,989 | 117,718 | 57,031 | 3,375,385 | 6,639,057 |
| Net carrying amount | | | | | | | | | |
| Balance at 31.12.2010 | 719,613 | 209,737 | 506,895 | 1,031,665 | 1,442,072 | 5,829 | 24,452 | 2,454,464 | 6,394,727 |

Notes to the Financial Statements

For the Financial Year ended 31 December 2011

4. Plant and equipment (Continued)

| Company 2011 | Air- conditioners \$ | Computer \$ | Electrical equipment \$ | Furniture and fittings \$ | Kitchen equipment \$ | Motor vehicles \$ | Office equipment \$ | Renovation \$ | Total \$ |
|--|----------------------------|----------------|-------------------------------|---------------------------------|----------------------------|-------------------------|---------------------------|------------------|-------------|
| Cost | | | | | | | | | |
| Balance at 1.1.2011 | 83,611 | 124,439 | 83,482 | 158,895 | 352,952 | 133,179 | 28,609 | 323,097 | 1,288,264 |
| Additions | 68,600 | 33,529 | 71,267 | 100,562 | 3,250 | - | 44,943 | 81,624 | 403,775 |
| Transfer | (67,100) | (7,207) | (45,836) | (22,714) | (273,174) | - | (20,052) | (161,462) | (597,545) |
| Written off | - | (5,255) | (3,246) | (26,861) | (3,099) | - | (1,541) | - | (40,002) |
| Balance at 31.12.2011 | 85,111 | 145,506 | 105,667 | 209,882 | 79,929 | 133,179 | 51,959 | 243,259 | 1,054,492 |
| Accumulated depreciation | | | | | | | | | |
| Balance at 1.1.2011 | 69,104 | 77,744 | 55,221 | 62,461 | 267,234 | 127,350 | 15,590 | 206,319 | 881,023 |
| Depreciation for the financial year | 8,606 | 28,622 | 9,280 | 28,531 | 18,919 | 4,663 | 4,873 | 75,263 | 178,757 |
| Transfer | (66,489) | (5,630) | (45,836) | (21,905) | (257,734) | - | (13,226) | (160,502) | (571,322) |
| Written off | - | (5,255) | (3,211) | (24,907) | (2,360) | - | (1,541) | - | (37,274) |
| Balance at 31.12.2011 | 11,221 | 95,481 | 15,454 | 44,180 | 26,059 | 132,013 | 5,696 | 121,080 | 451,184 |
| Net carrying amount | | | | | | | | | |
| Balance at 31.12.2011 | 73,890 | 50,025 | 90,213 | 165,702 | 53,870 | 1,166 | 46,263 | 122,179 | 603,308 |

Notes to the Financial Statements

For the Financial Year ended 31 December 2011

4. Plant and equipment (Continued)

| Company 2010 | Air- conditioners \$ | Computer \$ | Electrical equipment \$ | Furniture and fittings \$ | Kitchen equipment \$ | Motor vehicles \$ | Office equipment \$ | Renovation \$ | Total \$ |
|--|----------------------------|----------------|-------------------------------|---------------------------------|----------------------------|-------------------------|---------------------------|------------------|-------------|
| Cost | | | | | | | | | |
| Balance at 1.1.2010 | 98,334 | 97,016 | 126,674 | 190,263 | 438,627 | 133,179 | 28,822 | 437,985 | 1,550,900 |
| Additions | 16,511 | 32,849 | (1,696) | 57,230 | 22,336 | - | 4,088 | 118,700 | 250,018 |
| Disposals | - | - | - | (49,780) | (60,043) | - | - | - | (109,823) |
| Transfer | - | - | - | - | (13,585) | - | - | - | (13,585) |
| Written off | (31,234) | (5,426) | (41,496) | (38,818) | (34,383) | - | (4,301) | (233,588) | (389,246) |
| Balance at 31.12.2010 | 83,611 | 124,439 | 83,482 | 158,895 | 352,952 | 133,179 | 28,609 | 323,097 | 1,288,264 |
| Accumulated depreciation | | | | | | | | | |
| Balance at 1.1.2010 | 97,403 | 58,745 | 90,722 | 133,859 | 349,085 | 115,201 | 16,204 | 386,099 | 1,247,318 |
| Depreciation for the financial year | 2,935 | 24,158 | 5,995 | 17,166 | 23,531 | 12,149 | 3,687 | 53,412 | 143,033 |
| Disposals | - | - | - | (49,747) | (58,680) | - | - | - | (108,427) |
| Transfer | - | - | - | - | (13,585) | - | - | - | (13,585) |
| Written off | (31,234) | (5,159) | (41,496) | (38,817) | (33,117) | - | (4,301) | (233,192) | (387,316) |
| Balance at 31.12.2010 | 69,104 | 77,744 | 55,221 | 62,461 | 267,234 | 127,350 | 15,590 | 206,319 | 881,023 |
| Net carrying amount | | | | | | | | | |
| Balance at 31.12.2010 | 14,507 | 46,695 | 28,261 | 96,434 | 85,718 | 5,829 | 13,019 | 116,778 | 407,241 |

Certain plant and equipment of the Company with net book value of \$26,223 (2010: \$Nil) were transferred to subsidiaries under the restructuring exercise during the financial year.

Notes to the Financial Statements

For the Financial Year ended 31 December 2011

4. Plant and equipment (Continued)

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

| | Group | |
|---|--------------|-------------|
| | 2011 | 2010 |
| | \$ | \$ |
| Additions of plant and equipment | 2,862,004 | 2,733,219 |
| Provision for dismantlement, removal or restoration | (60,304) | (65,816) |
| Other payables | (615,300) | (623,106) |
| Cash payments to acquire plant and equipment | 2,186,400 | 2,044,297 |

5. Investments in subsidiaries

| | Company | |
|---------------------------------|----------------|-------------|
| | 2011 | 2010 |
| | \$ | \$ |
| Unquoted equity shares, at cost | 694,261 | 694,261 |
| Allowance for impairment loss | (100) | (100) |
| | 694,161 | 694,161 |

Movement in allowance for impairment loss is as follows:

| | Company | |
|--|----------------|-------------|
| | 2011 | 2010 |
| | \$ | \$ |
| Balance at beginning and end of financial year | 100 | 100 |

On 21 September 2011, the Company's subsidiary, Soup Restaurant Investments Pte Ltd ("SRI") incorporated a wholly-owned subsidiary in Malaysia known as SRG F&B (M) Sdn. Bhd. ("SRGM"), with paid-up share capital of RM2. The principal activity of SRGM is that of the operation of restaurants.

In previous year, the Company subscribed to additional 200,000 ordinary shares of \$1 each amounting to \$200,000 in one of its subsidiaries, Soup Restaurant (Causeway Point) Pte Ltd for working capital purposes.

Notes to the Financial Statements

For the Financial Year ended 31 December 2011

5. Investments in subsidiaries (Continued)

The particulars of the subsidiaries are as follows:

| Name of subsidiary | Principal activities | Country of incorporation /operations | Effective equity interests held | |
|--|----------------------------------|--------------------------------------|---------------------------------|-------|
| | | | 2011 | 2010 |
| | | | % | % |
| 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 |
| Sure Food Pte. Ltd.* | Food processing and distributing | 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 |
| <u>Held by Soup Restaurant Investments Pte. Ltd.</u> | | | | |
| SRG F&B (M) Sdn. Bhd. | Operation of restaurants | Malaysia | 100 | – |

* Audited by BDO LLP, Singapore

6. Intangible assets

| | Group | |
|--|--------|--------|
| | 2011 | 2010 |
| | \$ | \$ |
| Trademark | | |
| Cost | | |
| Balance at beginning of financial year | 14,290 | 13,162 |
| Addition during the financial year | – | 1,128 |
| Balance at end of financial year | 14,290 | 14,290 |
| Accumulated amortisation | | |
| Balance at beginning of financial year | 2,685 | 1,316 |
| Amortisation during the financial year | 1,429 | 1,369 |
| Balance at end of financial year | 4,114 | 2,685 |
| Net carrying amount | | |
| Balance at end of financial year | 10,176 | 11,605 |

Notes to the Financial Statements

For the Financial Year ended 31 December 2011

7. Inventories

| | Group | | Company | |
|-------------|------------|------------|------------|------------|
| | 2011 \$ | 2010 \$ | 2011 \$ | 2010 \$ |
| Consumables | 181,686 | 145,746 | – | 145,746 |

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 \$14,304,124 (2010: \$13,190,779).

8. Trade and other receivables

| | Group | | Company | |
|---|------------|------------|-------------|-------------|
| | 2011 \$ | 2010 \$ | 2011 \$ | 2010 \$ |
| Trade receivables | 629,120 | 268,350 | 50,508 | 17,581 |
| Other receivables | 106,054 | 179,385 | 90,611 | 70,530 |
| Rental and utilities deposits | 3,872,793 | 3,341,865 | 209,701 | 266,619 |
| Prepayments | 342,275 | 119,035 | 24,238 | 27,818 |
| Due from subsidiaries - non-trade | – | – | 2,645,768 | 2,578,663 |
| Less: Allowance for impairment loss | – | – | (1,208,824) | (1,153,096) |
| Net amount due from subsidiaries | – | – | 1,436,944 | 1,425,567 |
| Total trade and other receivables | 4,950,242 | 3,908,635 | 1,812,002 | 1,808,115 |
| Add: Cash and cash equivalents (Note 9) | 16,401,976 | 17,104,025 | 7,081,159 | 8,800,034 |
| Less: Prepayments | (342,275) | (119,035) | (24,238) | (27,818) |
| Total loans and receivables | 21,009,943 | 20,893,625 | 8,868,923 | 10,580,331 |

Notes to the Financial Statements

For the Financial Year ended 31 December 2011

8. Trade and other receivables (Continued)

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

| | Company | |
|--|------------|------------|
| | 2011 \$ | 2010 \$ |
| Balance at beginning of financial year | 1,153,096 | 957,373 |
| Allowance for impairment loss made during the financial year | 55,728 | 195,723 |
| Balance at end of financial year | 1,208,824 | 1,153,096 |

Trade receivables are non-interest bearing and generally on 1 - 30 (2010: 1-30) days' credit terms.

The amounts due from subsidiaries are unsecured, interest-free and repayable on demand. The amounts relate to advances and expenses paid on behalf for the subsidiaries.

Allowance for impairment loss of amounts due from subsidiaries of \$55,728 (2010: \$195,723) are recognised in profit or loss subsequent to debt recovery assessment performed on the subsidiaries by the management.

The currency profiles of the Group's and Company's trade and other receivables as at 31 December are as follows:

| | Group | | Company | |
|------------------|------------|------------|------------|------------|
| | 2011 \$ | 2010 \$ | 2011 \$ | 2010 \$ |
| Singapore dollar | 4,808,195 | 3,908,635 | 1,812,002 | 1,808,115 |
| Ringgit Malaysia | 142,047 | – | – | – |
| | 4,950,242 | 3,908,635 | 1,812,002 | 1,808,115 |

9. Cash and cash equivalents

| | Group | | Company | |
|---------------------------|------------|------------|------------|------------|
| | 2011 \$ | 2010 \$ | 2011 \$ | 2010 \$ |
| Fixed deposits with banks | 4,542,070 | 6,040,990 | 4,542,070 | 6,040,990 |
| Cash and bank balances | 11,859,906 | 11,063,035 | 2,539,089 | 2,759,044 |
| | 16,401,976 | 17,104,025 | 7,081,159 | 8,800,034 |

Fixed deposits are placed for tenure of 29 to 94 days (2010: 33 to 94 days). The effective interest rates on the fixed deposits and cash at banks are approximately 0.09% to 0.26% (2010: 0.09% to 0.29%) per annum.

Notes to the Financial Statements

For the Financial Year ended 31 December 2011

9. Cash and cash equivalents (Continued)

The currency profiles of the Group's and Company's cash and cash equivalents as at 31 December are as follows:

| | Group | | Company | |
|------------------|------------|------------|------------|------------|
| | 2011 \$ | 2010 \$ | 2011 \$ | 2010 \$ |
| Singapore dollar | 16,213,288 | 17,104,025 | 7,081,159 | 8,800,034 |
| Ringgit Malaysia | 188,688 | – | – | – |
| | 16,401,976 | 17,104,025 | 7,081,159 | 8,800,034 |

10. Trade and other payables

| | Group | | Company | |
|---|------------|------------|------------|------------|
| | 2011 \$ | 2010 \$ | 2011 \$ | 2010 \$ |
| Trade payables | 1,923,799 | 1,768,865 | 65,649 | 178,990 |
| Other payables | 1,819,484 | 1,165,716 | 538,267 | 160,762 |
| Accrued operating expenses | 2,173,463 | 2,104,162 | 462,010 | 598,909 |
| Unutilised annual leave | 267,549 | 246,087 | 29,799 | 37,841 |
| Due to subsidiaries – non-trade | – | – | 118,794 | 1,182,316 |
| Total financial liabilities carried at amortised cost | 6,184,295 | 5,284,830 | 1,214,519 | 2,158,818 |

Trade payables are non-interest bearing and generally on 30 (2010: 30) days' credit terms.

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

The amounts due to subsidiaries are unsecured, interest-free and repayable on demand. The amount relates to expenses paid on behalf by the subsidiaries.

The currency profiles of the Group's and Company's trade and other payables as at 31 December are as follows:

| | Group | | Company | |
|------------------|------------|------------|------------|------------|
| | 2011 \$ | 2010 \$ | 2011 \$ | 2010 \$ |
| Singapore dollar | 6,148,628 | 5,284,830 | 1,214,519 | 2,158,818 |
| Ringgit Malaysia | 35,667 | – | – | – |
| | 6,184,295 | 5,284,830 | 1,214,519 | 2,158,818 |

Notes to the Financial Statements

For the Financial Year ended 31 December 2011

11. 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 | |
|--|------------|------------|------------|------------|
| | 2011 \$ | 2010 \$ | 2011 \$ | 2010 \$ |
| Balance at beginning of financial year | 612,302 | 560,060 | 46,098 | 72,758 |
| Provision made during the financial year | 60,304 | 65,816 | 20,568 | – |
| Utilisation during the financial year | (17,364) | (42,524) | (24,071) | (27,524) |
| Amortisation of discount | 20,136 | 28,950 | 1,782 | 864 |
| Balance at end of financial year | 675,378 | 612,302 | 44,377 | 46,098 |

12. Deferred tax liabilities

| | Group | | Company | |
|--|------------|------------|------------|------------|
| | 2011 \$ | 2010 \$ | 2011 \$ | 2010 \$ |
| Balance at beginning of financial year | 624,827 | 493,165 | 16,200 | 23,441 |
| (Credited)/Charged to profit or loss | (122,373) | 131,662 | – | (7,241) |
| Balance at end of financial year | 502,454 | 624,827 | 16,200 | 16,200 |

Recognised deferred tax liabilities are attributable to the following:

| | Group | | Company | |
|------------------------------|------------|------------|------------|------------|
| | 2011 \$ | 2010 \$ | 2011 \$ | 2010 \$ |
| Accelerated tax depreciation | 545,771 | 690,151 | 21,266 | 46,405 |
| Other timing differences | (43,317) | (65,324) | (5,066) | (30,205) |
| | 502,454 | 624,827 | 16,200 | 16,200 |

Notes to the Financial Statements

For the Financial Year ended 31 December 2011

13. Share capital

| | Group and Company | |
|---|--------------------------|-------------|
| | 2011 | 2010 |
| | \$ | \$ |
| <hr/> | | |
| <i>Issued and fully paid with no par value</i> | | |
| 298,500,000 (2010: 298,500,000) ordinary shares | | |
| at beginning and end of financial year | 6,592,761 | 6,592,761 |
| | <hr/> | |

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

14. Translation reserve

The foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign subsidiary whose functional currency is different from that of the Group's presentation currency.

| | Group | |
|--|--------------|-------------|
| | 2011 | 2010 |
| | \$ | \$ |
| <hr/> | | |
| Balance at beginning of financial year | - | - |
| Exchange difference arising on translation of foreign subsidiary | (591) | - |
| Balance at end of financial year | (591) | - |
| | <hr/> | |

15. Revenue

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

Notes to the Financial Statements

For the Financial Year ended 31 December 2011

16. Other income

| | Group | |
|---|----------------|----------------|
| | 2011 \$ | 2010 \$ |
| Collaboration fee | – | 42,963 |
| Foreign exchange gain | 6,547 | 312 |
| Franchise fees | – | 125,000 |
| Gain on disposal of plant and equipment | 500 | 4,703 |
| Government grants | 206,066 | 156,889 |
| - JCS | – | 129,227 |
| - FW | – | 11,017 |
| - SPUR | 9,923 | 16,645 |
| - CDS | 144,266 | – |
| - SDF | 9,361 | – |
| - CITR | 30,000 | – |
| - SCG | 5,000 | – |
| - SEC | 2,197 | – |
| - SRP | 5,319 | – |
| Royalty fee | 127,245 | 170,926 |
| Sundry income | 86,388 | 61,127 |
| | 426,746 | 561,920 |

17. Employee benefits expenses

| | Group | |
|---|-------------------|-------------------|
| | 2011 \$ | 2010 \$ |
| Salaries, bonuses and other benefits | 17,192,059 | 15,232,463 |
| Contributions to defined contribution plans | 1,159,861 | 923,951 |
| | 18,351,920 | 16,156,414 |

The above includes the amounts shown as key management personnel remuneration (excludes Directors' fees) in Note 25 to the financial statements.

18. Finance costs

| | Group | |
|---------------------------------------|------------|------------|
| | 2011 \$ | 2010 \$ |
| Amortisation of discount on provision | 20,136 | 28,950 |

Notes to the Financial Statements

For the Financial Year ended 31 December 2011

19. Profit before income tax

The above is arrived at after charging:

| | Group | |
|--|-----------|-----------|
| | 2011 | 2010 |
| | \$ | \$ |
| <i>Other expenses</i> | | |
| Audit fees paid to the auditors of the Company | 108,000 | 103,000 |
| Non-audit fees paid to the auditors of the Company | 81,300 | 39,430 |
| Cleaning materials | 1,435,932 | 1,083,272 |
| Credit card commission charges | 780,294 | 638,326 |
| Directors' fees | | |
| - Directors of the Company | 113,082 | 160,000 |
| - Directors of a subsidiary | 40,000 | 10,000 |
| Operating lease expenses | | |
| - minimum lease payments | | |
| - premises | 9,062,937 | 7,801,367 |
| - contingent rents | | |
| - premises | 917,826 | 1,143,312 |
| Plant and equipment written off | 13,605 | 14,242 |
| Professional and consultancy fees | 1,016,284 | 906,155 |
| Rental of machinery | 34,626 | 38,718 |
| Repair and maintenance | 528,743 | 435,252 |
| Utilities | 2,642,207 | 2,418,114 |

20. Income tax expense

| | Group | |
|--|-----------|-----------|
| | 2011 | 2010 |
| | \$ | \$ |
| Current income tax expense | | |
| - current financial year | 873,883 | 875,114 |
| - under provision in prior years | 68,100 | 1,819 |
| | 941,983 | 876,933 |
| Deferred tax | | |
| - current financial year | (86,736) | 124,825 |
| - (over)/under provision in prior years | (35,637) | 6,837 |
| | (122,373) | 131,662 |
| Total income tax expense in consolidated statement of comprehensive income | 819,610 | 1,008,595 |

Domestic income tax is calculated at 17% (2010: 17%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

Notes to the Financial Statements

For the Financial Year ended 31 December 2011

20. Income tax expense (Continued)

Reconciliation of effective tax rate

| | Group | |
|---|----------------|------------------|
| | 2011 \$ | 2010 \$ |
| Profit before income tax | 3,699,214 | 5,931,594 |
| Income tax at statutory tax rate | 628,866 | 1,008,370 |
| Tax effect of expenses non-deductible for income tax purposes | 270,679 | 90,121 |
| Tax effect of income not subject to income tax | (47,221) | (10,371) |
| Tax effect of Singapore's statutory stepped income exemption | (91,451) | (103,700) |
| Under provision in prior years | 32,463 | 8,656 |
| Others | 26,274 | 15,519 |
| | <u>819,610</u> | <u>1,008,595</u> |

21. Earnings per share

| | Group | |
|-----------------------------------|-------|------|
| | 2011 | 2010 |
| <i>Earnings per share (cents)</i> | | |
| Basic and diluted | 0.76 | 1.27 |

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

| | Group | |
|---|--------------------|--------------------|
| | 2011 | 2010 |
| Net profit attributable to owners of the parent | \$2,274,763 | \$3,785,322 |
| Actual number of ordinary shares in issue during the financial year | <u>298,500,000</u> | <u>298,500,000</u> |

Basic and diluted earnings per share are calculated by dividing the Group's net profit attributable to owners of the parent by the actual number of shares in issue during the financial year.

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

Notes to the Financial Statements

For the Financial Year ended 31 December 2011

22. Dividends

| | Group and Company | |
|--|--------------------------|------------------|
| | 2011 | 2010 |
| | \$ | \$ |
| Final tax-exempt dividend paid of \$0.005 (2010: \$0.0035) per share in respect of the previous financial year | 1,492,500 | 1,044,750 |
| Interim tax-exempt dividend paid of \$0.0035 (2010: \$0.0035) per share in respect of the current financial year | 1,044,750 | 1,044,750 |
| Special tax-exempt dividend paid of \$Nil (2010: \$0.0065) per share in respect of the current financial year | – | 1,940,250 |
| | 2,537,250 | 4,029,750 |

The Directors of Company recommend a final tax-exempt dividend of \$0.00175 (2010: \$0.005) per share amounting to \$522,375 (2010: \$1,492,500) to be paid in respect of current financial year. This final dividend has not been recognised as a liability as the end of financial year 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 | |
|--|-------------------|-------------------|----------------|------------------|
| | 2011 | 2010 | 2011 | 2010 |
| | \$ | \$ | \$ | \$ |
| Not later than one year | 8,946,083 | 7,971,344 | 516,110 | 594,186 |
| Later than one year but not later than five years | 8,293,310 | 6,924,401 | 296,027 | 424,060 |
| | 17,239,393 | 14,895,745 | 812,137 | 1,018,246 |

The above lease agreements expire on date between 31 January 2012 to 26 November 2015. 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.

Notes to the Financial Statements

For the Financial Year ended 31 December 2011

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 \$160,096 (2010: \$137,499) and \$861,906 (2010: \$762,880) respectively in excess of the issued and paid-up share capital of the respective subsidiaries as at 31 December 2011 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.

In November 2010, the Company and two of its subsidiaries were served with a Writ of Summons issued by Mr Yik Kuen Koon and Mdm Eliza Gunawan, both shareholders of one of its subsidiaries, Y.E.S F & B Group Pte. Ltd. ("YES"), relating to the actions of the Company as well as certain corporate and commercial actions of YES.

As the litigations are still pending, it is not practicable to state the timing and amount of potential losses, if any. The Directors of the Company are of the view that no material losses will arise in respect of the legal claim as at the date of these financial statements.

25. Significant related party transactions

A related party is defined as follows:

- (a) A person or a close member of that person's family is related to the Group and Company if that person:
 - (i) Has control or joint control over the Company;
 - (ii) Has significant influence over the Company; or
 - (iii) Is a member of the key management personnel of the Group or Company or of a parent of the Company.

- (b) An entity is related to the Group and the Company if any of the following conditions applies:
 - (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint ventures of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Company is itself such a plan, the sponsoring employers are also related to the Company.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a);
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Associates are related parties and include those that are associates of the holding and/or related companies.

Notes to the Financial Statements

For the Financial Year ended 31 December 2011

25. Significant related party transactions (Continued)

Many of the Group's and Company's transactions and arrangements are with related parties and the effect of these on the basis determined between the parties is reflected in these financial statements. The balances are unsecured, interest-free and repayable on demand unless otherwise stated.

During the year, in addition to those disclosed elsewhere in these financial statements, the Group entities and the Company entered into the following transactions with related parties:

| | Company | |
|---|----------------|-------------|
| | 2011 | 2010 |
| | \$ | \$ |
| Advances to subsidiaries from the Company | 3,580,000 | 4,250,000 |
| Advances from subsidiaries to the Company | 5,680,000 | 5,150,000 |
| Receipts on behalf of subsidiaries by the Company | 85,213 | 67,420 |
| Settlement of liabilities on behalf of the Company by subsidiaries | 149,049 | 94,275 |
| Settlement of liabilities on behalf of subsidiaries by the Company | 646,344 | 349,705 |
| Royalty fees charged to subsidiaries | 593,751 | 502,744 |
| Sales of foodstuff to subsidiaries by the Company | 1,155,637 | 1,201,286 |
| Purchase of foodstuff from subsidiaries | 34,838 | 3,578 |
| Dividends received from subsidiaries | 2,356,250 | 3,500,000 |
| Management fees charged to subsidiaries | 1,793,000 | 1,457,250 |
| Secretarial fees charged to a subsidiary | 960 | 960 |
| Consultancy fees charged to a subsidiary | – | 70,000 |

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 | |
|--|--------------|-------------|----------------|-------------|
| | 2011 | 2010 | 2011 | 2010 |
| | \$ | \$ | \$ | \$ |
| Directors' fees | 153,082 | 170,000 | 113,082 | 130,000 |
| Salaries, bonuses and other benefits | 1,080,709 | 1,280,398 | 1,080,709 | 1,001,127 |
| Contributions to defined contribution plans | 68,521 | 64,952 | 68,521 | 58,557 |
| | 1,302,312 | 1,515,350 | 1,262,312 | 1,189,684 |

Notes to the Financial Statements

For the Financial Year ended 31 December 2011

25. Significant related party transactions (Continued)

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

| | Group | | Company | |
|---|------------|------------|------------|------------|
| | 2011 \$ | 2010 \$ | 2011 \$ | 2010 \$ |
| <i>Directors of the Company</i> | | | | |
| Directors' fee | 148,082 | 160,000 | 113,082 | 130,000 |
| Salaries, bonuses and other benefits | 738,727 | 654,767 | 738,727 | 654,767 |
| Contributions to defined contribution plans | 20,676 | 12,110 | 20,676 | 12,110 |
| | 907,485 | 826,877 | 872,485 | 796,877 |
| <i>Directors of a subsidiary</i> | | | | |
| Directors' fee | 5,000 | 10,000 | – | – |
| Salaries, bonuses and other benefits | – | 279,271 | – | – |
| Contributions to defined contribution plans | – | 6,395 | – | – |
| | 5,000 | 295,666 | – | – |
| | 912,485 | 1,122,543 | 872,485 | 796,877 |

26. Segment information

The Group has only one primary business segment, which is that of restaurant operations. The Group's sales and assets are mainly derived in Singapore except for the Malaysia subsidiary's operations commenced in November 2011 which is insignificant to the Group segment results, accordingly, no business and geographical segment information are presented during the financial year.

27. 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.

Notes to the Financial Statements

For the Financial Year ended 31 December 2011

27. Financial instruments and financial risk (Continued)

27.1 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 loss, 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.

The age analysis of trade receivables is as follows:

| | Gross receivables 2011 \$ | Impairment 2011 \$ | Gross receivables 2010 \$ | Impairment 2010 \$ |
|---------------------------|--|-----------------------------------|--|-----------------------------------|
| Group | | | | |
| Not past due | 532,815 | – | 264,978 | – |
| Past due 0 to 3 months | 96,305 | – | 3,372 | – |
| | 629,120 | – | 268,350 | – |
| Company | | | | |
| Not past due | 29,108 | – | 14,209 | – |
| Past due 0 to 3 months | 21,400 | – | 3,372 | – |
| | 50,508 | – | 17,581 | – |

Notes to the Financial Statements

For the Financial Year ended 31 December 2011

27. Financial instruments and financial risk (Continued)

27.1 Credit risk (Continued)

The age analysis of other receivables is as follows:

| | Gross receivables 2011 \$ | Impairment 2011 \$ | Gross receivables 2010 \$ | Impairment 2010 \$ |
|---------------------------|--|-----------------------------------|--|-----------------------------------|
| Group | | | | |
| Not past due | 68,345 | – | 97,414 | – |
| Past due 0 to 3 months | 37,709 | – | 81,971 | – |
| | 106,054 | – | 179,385 | – |
| Company | | | | |
| Not past due | 62,866 | – | 57,409 | – |
| Past due 0 to 3 months | 27,745 | – | 13,121 | – |
| | 90,611 | – | 70,530 | – |

The amounts due from subsidiaries as disclosed in Note 8 are repayable on demand. The impairment amounts of \$1,208,824 (2010: \$1,153,096) arise mainly from two of its subsidiaries, Soup Restaurant (Seah Street) Pte Ltd and Soup Restaurant Investments Pte. Ltd. which suffered significant losses from their operations.

27.2 Market risk

The Group and the Company do not have any significant exposure to the financial risk arises from changes in foreign exchange rates and interest rates and hence no sensitivity analysis prepared by the management.

27.3 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.

The financial assets and financial liabilities of the Group and the Company mature within one year and are non-interest bearing.

Notes to the Financial Statements

For the Financial Year ended 31 December 2011

28. Capital management policies and objectives

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

The capital structure of the Group consists of debts and equity attributable to owners of the parent, comprising of issued capital and accumulated profits.

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 and the Company's overall strategy remains unchanged from 2010.

The Group and the Company are not subject to any externally imposed capital requirements for the financial years ended 31 December 2011 and 2010.

29. Fair value

The carrying amounts of cash and cash equivalents, trade and other receivable and payables, approximate their respective fair values due to the relative short term maturity of these financial instruments.

Statistics of Shareholdings

As at 22 March 2012

SHAREHOLDERS' INFORMATION

| Class of Equity Securities | Number of Equity Securities | Voting Rights |
|----------------------------|-----------------------------|--------------------|
| Ordinary | 298,500,000 | One vote per share |

DISTRIBUTION OF SHAREHOLDINGS

| SIZE OF SHAREHOLDINGS | NO. OF SHAREHOLDERS | % | NO. OF SHARES | % |
|-----------------------|---------------------|---------------|--------------------|---------------|
| 1 – 999 | 4 | 0.28 | 230 | 0.00 |
| 1,000 – 10,000 | 987 | 69.75 | 4,259,000 | 1.43 |
| 10,001 – 1,000,000 | 404 | 28.55 | 37,835,156 | 12.67 |
| 1,000,001 AND ABOVE | 20 | 1.42 | 256,405,614 | 85.90 |
| TOTAL | 1,415 | 100.00 | 298,500,000 | 100.00 |

TWENTY LARGEST SHAREHOLDERS

| | NAME | NO. OF SHARES | % |
|----|--|--------------------|--------------|
| 1 | MOK YIP PENG | 55,683,600 | 18.65 |
| 2 | WONG WEI TECK | 41,091,900 | 13.77 |
| 3 | WONG CHI KEONG | 39,091,800 | 13.10 |
| 4 | PANG CHENG JIN | 32,581,500 | 10.92 |
| 5 | MAYBAN NOMINEES (S) PTE LTD | 30,323,000 | 10.16 |
| 6 | AMFRASER SECURITIES PTE. LTD. | 21,202,000 | 7.10 |
| 7 | DBS NOMINEES PTE LTD | 11,229,314 | 3.76 |
| 8 | LEE IN CHUN | 3,492,000 | 1.17 |
| 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 | CIMB NOMINEES (S) PTE LTD | 2,600,000 | 0.87 |
| 12 | KOH CHIN HWA | 2,100,000 | 0.70 |
| 13 | HSBC (SINGAPORE) NOMINEES PTE LTD | 2,025,500 | 0.68 |
| 14 | UNITED OVERSEAS BANK NOMINEES PTE LTD | 1,453,000 | 0.49 |
| 15 | PHILLIP SECURITIES PTE LTD | 1,419,000 | 0.48 |
| 16 | BANK OF SINGAPORE NOMINEES PTE LTD | 1,402,000 | 0.47 |
| 17 | TSAO SAN | 1,371,000 | 0.46 |
| 18 | KWOK LAI FONG EVANGELINE | 1,300,000 | 0.44 |
| 19 | KWOK MENG SUN OR WONG POH YOOK | 1,300,000 | 0.44 |
| 20 | YIT TENG YUET | 1,140,000 | 0.38 |
| | TOTAL | 256,405,614 | 85.92 |

Statistics of Shareholdings

As at 22 March 2012

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 | – | – | 27,945,000 | 9.36 |
| 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 33.8% 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 150 Kampong Ampat #04-01 KA Centre Singapore 368324 on Friday, 27 April 2012 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 financial year ended 31 December 2011 together with the Auditors' Report thereon. **(Resolution 1)**
2. To declare a one-tier tax exempt final dividend of 0.175 cent per ordinary share for the financial year ended 31 December 2011. (2010: 0.5 cent per ordinary share) **(Resolution 2)**
3. To re-elect the following Directors of the Company retiring pursuant to the Articles of Association of the Company:

| | | |
|----------------|------------------------------|-----------------------|
| Chua Koh Ming | (Retiring under Article 107) | (Resolution 3) |
| Wong Chi Keong | (Retiring under Article 117) | (Resolution 4) |

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

4. To re-appoint Professor Cham Tao Soon, a Director of the Company retiring pursuant to 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-appointment as a Director of the Company, remain as Chairman of the Audit Committee and a member of the Nominating and Remuneration Committees and will be considered independent.

5. To approve the payment of Directors' fees of S\$113,082 for the financial year ended 31 December 2011 (2010: S\$130,000). **(Resolution 6)**
6. To re-appoint BDO LLP as the Auditors of the Company and to authorise the Directors of the Company to fix their remuneration. **(Resolution 7)**
7. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

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

Notice of Annual General Meeting

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 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 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 shall be based on the total number of issued 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) 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

Notice of Annual General Meeting

- (4) 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)

By Order of the Board

Toh Yen Sang
Secretary
Singapore, 12 April 2012

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 in the capital of the Company, of which up to 20% may be issued other than on a pro-rata basis to shareholders.

For determining the aggregate number of shares that may be issued, the total number of issued shares will be calculated based on the total number of issued 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.

Notes:

1. A Member entitled to attend and vote at the Annual General Meeting (the "Meeting") is entitled to appoint not more than two proxies 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 150 Kampong Ampat #04-01, KA Centre, Singapore 368324 not less than forty-eight (48) hours before the time appointed for holding the Meeting.

SOUP RESTAURANT GROUP LIMITED

(Company Registration No. 199103597Z)
(Incorporated in the Republic of Singapore)

IMPORTANT:

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

PROXY FORM

(Please see notes overleaf before completing this Form)

I/We, _____

of _____

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

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

and/or (delete as appropriate)

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

or failing the person, or either or both of the persons, referred to above, the Chairman of the Meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the Annual General Meeting (the "Meeting") of the Company to be held on Friday, 27 April 2012 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 financial year ended 31 December 2011 | | |
| 2 | Payment of proposed one-tier tax exempt final dividend | | |
| 3 | Re-election of Mr Chua Koh Ming as a Director | | |
| 4 | Re-election of Mr Wong Chi Keong as a Director | | |
| 5 | Re-appointment of Professor Cham Tao Soon as a Director | | |
| 6 | Approval of Directors' fees amounting to S\$113,082 | | |
| 7 | Re-appointment of BDO LLP as Auditors | | |
| 8 | Authority to issue new shares | | |

Dated this _____ day of _____ 2012

| 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



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 150 Kampong Ampat #04-01, KA Centre, Singapore 368324 not less than forty-eight (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 forty-eight (48) hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.



150 Kampong Ampat
#04-01 KA Centre
Singapore 368324