



SOUP
RESTAURANT

ANNUAL REPORT 2012



everyday is a reunion with us

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CORPORATE PROFILE

Founded in 1991, Soup Restaurant Group Limited (the “Company” or “Group”) 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 Main Board of the Singapore Exchange Securities Trading Limited and operates a portfolio of well-known food and beverage brands. The Group currently has 20 restaurant outlets in Singapore, Malaysia and Indonesia.



everyday is a reunion with us

OUR BRANDS

Soup Restaurant

A bright splash of colour in 1930s Chinatown with her 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 of 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.

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**.



CAFÉ O

Enjoy a nostalgic experience at **CAFÉ O** with memories of olden days of savouring **Kopi** and **Teh** at the roadside coffee stall, together with authentic Indian **Roti Prata** and **Nasi Briyani**!



OUR FOOTPRINTS

SINGAPORE

Soup Restaurant

- Causeway Point
- Century Square
- Changi Airport T2
- Clementi Mall
- Compass Point
- Hougang Mall
- IMM Building
- Jurong Point
- nex
- Paragon
- Suntec City
- Toa Payoh ERA Centre
- United Square
- VivoCity

Café O

- IMM Building

MALAYSIA

Soup Restaurant

- 1 Utama

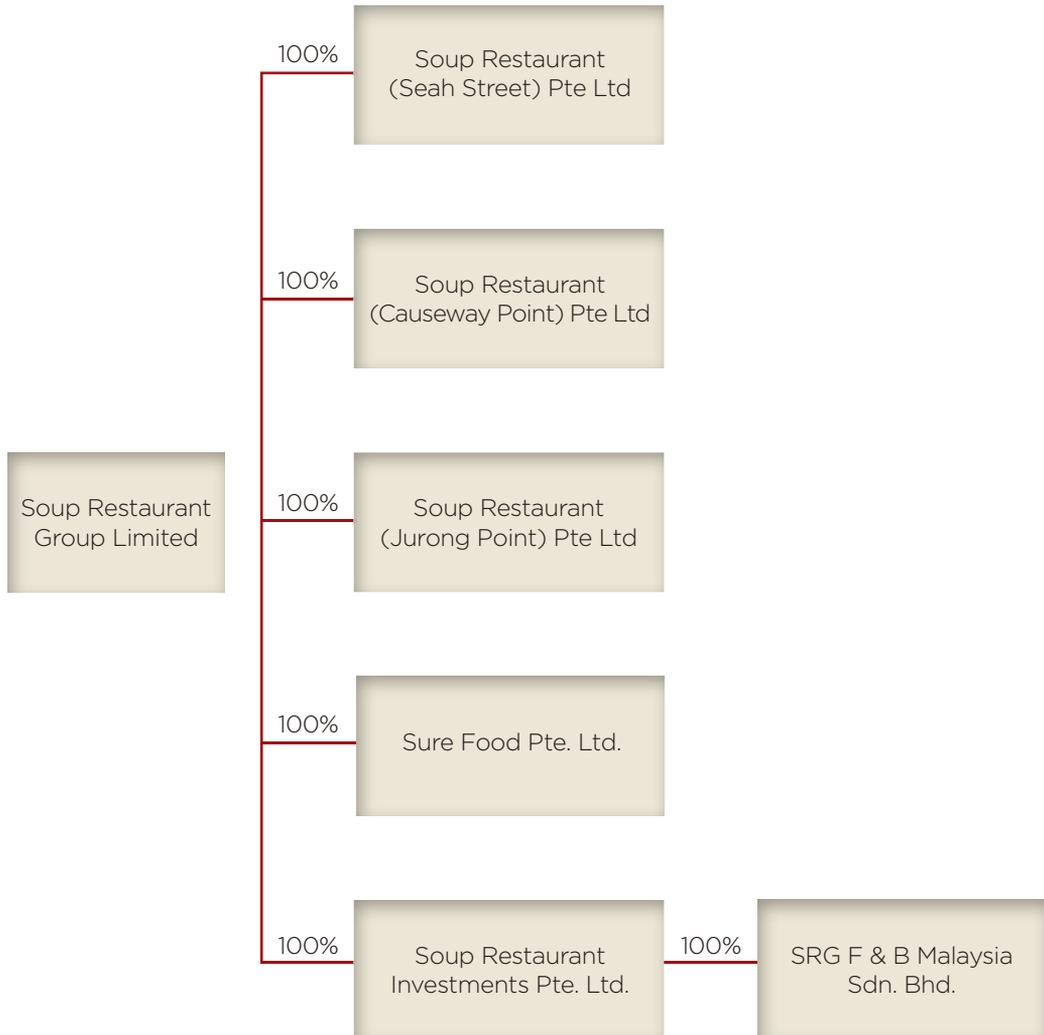
INDONESIA*

Soup Restaurant

- Plaza Indonesia
- PX Pavilion
- Kuningan City
- Lippo Mall Kemang

* *Franchised outlets*

CORPORATE STRUCTURE



FINANCIAL HIGHLIGHTS

	FY2012 S\$'000	FY2011 S\$'000
Revenue and Profitability		
Revenue from continuing operations	35,258	33,238
Profit before income tax from continuing operations	4,058	2,082
Profit from continuing operations, net of tax	3,735	1,646
Profit from discontinued operation, net of tax	843	1,233
Profit for the year, net of tax	4,578	2,879
– owners of the parent	4,233	2,275
– non-controlling interests	345	604

Financial and Cash Flow Position

Total assets	24,318	28,493
Total liabilities	5,332	8,226
Equity attributable to owners of the parent	18,986	16,332
Cash and cash equivalents	16,496	16,402

Per Share (cents)

Earnings per share	1.42	0.76
Net asset value per share	6.36	5.47
Dividend per share		
• Special	0.800	–
• Interim	0.350	0.350
• Final	0.350	0.175

CHAIRMAN'S MESSAGE

Dear Shareholders,

The food and beverage industry in Singapore is one of the most vibrant and therefore one of the most competitive retail sectors. In recent years, new shopping destinations, record tourism arrivals and rising consumer confidence have provided an exciting boost to the industry.

However, recent government curbs on foreign labour will make it more challenging for the industry, which is already facing an acute shortage of manpower. Our management has been actively exploring ways to make do with less labour by investing in IT and technology, and by adopting streamlined business processes. We will continue to exercise vigilance in managing costs that are within our control.

Our investments in the brand in recent years have increased brand awareness and reinforced brand loyalty. A strong brand will help drive our overseas expansion in the coming years.

Business Review

FY2012 saw yet another year of stable growth as operating revenue increased by 6.1% to S\$35.3 million compared to S\$33.2 million in FY2011. New outlets and improved sales from existing outlets contributed to this growth.

The Group registered a record profit before income tax of S\$4.1 million or 11.5% from on-going operations in FY2012, largely due to the net gain of S\$3.4 million from the disposal of its entire equity interests in the share capital of Y.E.S F & B Group Pte Ltd in August 2012.

We realised a return of more than 40 times our investments made in 2006 from this disposal, which delivered proceeds of S\$7.9 million.

Following the disposal, we focused on enhancing our existing brands whilst continuing to expand our brand portfolios and markets. To expand our foothold in Malaysia after opening our first restaurant outlet at 1 Utama Shopping Centre in Kuala Lumpur, we have been actively seeking suitable locations. Discussions with prospective landlords have been positive and we look forward to opening more outlets in the near future.

We will also be operating a multi-brand concept restaurant at the IMM Building in Jurong, Singapore at a unit that we secured in the last quarter of 2012.

We have received very positive feedback from customers on our bottled sauces, launched last year and now available at local supermarkets. We are optimistic that this range of sauces will draw interest from both local and overseas markets and provide a new revenue stream for the Group.

Dividends

To show our appreciation to our loyal shareholders, the Board has recommended a final dividend of 0.35 cent per share and a special dividend of 0.8 cent per share to be approved by the shareholders at the forthcoming Annual General Meeting. The Company has paid an interim dividend of 0.35 cent per share in August 2012, thereby bringing the total dividend for the year to 1.5 cents per share as compared to 0.525 cent per share for FY2011.

Outlook

We remain cautious about the outlook of the business environment over the next 12 months. Labour costs are expected to rise in view of higher foreign worker levies and labour shortage as a result of the restrictions on foreign labour. Operating costs will come under pressure from rising rental rates. There are also now more players in the food and beverage industry, making it more competitive than before.

We are already implementing proactive measures to grow our market share in this highly competitive environment. These measures include refreshing and consolidating our portfolio of brands as well as exploring ways to better deploy manpower so as to improve productivity. We will also continue to tap on various incentives and initiatives provided by the government to reduce our business costs.

Appreciation

On behalf of the Group, I would like to extend our sincere appreciation to our customers, suppliers, business associates and valued shareholders for your steadfast support and confidence throughout the years.

To our management and staff, thank you for your commitment and tireless efforts to grow our business and to contribute to the success of the Group. And last but not least, I extend my deepest appreciation to fellow Board members for your continuous support and invaluable advice.

PROFESSOR CHAM TAO SOON

Non-Executive Chairman

28 March 2013

OPERATING AND FINANCIAL REVIEW

Revenue and Profitability

Following shareholders' approval on 31 July 2012 and as announced on 7 August 2012, Y.E.S F & B Group Pte Ltd ("YES") ceased to be a subsidiary of the Group upon the completion of the disposal (the "Disposal") of the Group's entire equity interests in YES. As a requirement under FRS 105, the results of YES are presented separately in the Consolidated Statement of Comprehensive Income as "Discontinued Operation" to enhance comparability.

Revenue for the continuing operations increased by S\$2.1 million to S\$35.3 million in FY2012, an increase of 6.1% as compared to S\$33.2 million in the previous year. The higher revenue was mainly attributed to the additional contribution from three new outlets which commenced operations from FY2011. Revenue from existing outlets also improved by approximately 2.3% compared to the previous year. However, the increase in revenue was partially offset by the loss of revenue arising from the cessation of operations of two restaurant outlets due to the expiration of their leases. The temporary closure of two existing outlets for renovation and relocation also affected the Group's revenue in FY2012.

The Group recognised a one-off net gain of S\$3.4 million from the Disposal in August 2012. Together with a higher government grant of S\$0.3 million received from IE Singapore and Spring Singapore, a higher other income of S\$3.9 million was recorded for the year reported.

Purchases and other consumables dropped by 1.7 percentage points to 22.4% of revenue in FY2012, attributable to the Group's efforts to contain raw materials price increase through various measures such as tenders and direct imports. As a percentage of revenue, employee benefits expenses rose to 33.8% at S\$11.9 million in FY2012 as a result of wage revision, higher CPF contribution rates and foreign worker levies. Depreciation and amortisation expenses also recorded a marginal increase of S\$0.3 million during the year, owing to additional fixed assets acquired for new and existing restaurant outlets, head office and food processing facility. Where operating costs are concerned, other expenses increased by S\$2.1 million to S\$13.8 million in FY2012, resulting from higher promotional expenses incurred to boost sales, increased rental rates and utilities during the year.

The Group generated profits attributable to owners of the Company for continuing operations of S\$3.7 million which represented an increase of S\$2.1 million or 126.9% as compared with FY2011. Earnings per share doubled from 0.55 cent in FY2011 to 1.25 cents in FY2012 with the higher profits achieved for the year.

Financial and Cash Flow Position

The Group's total assets decreased by S\$4.2 million from S\$28.5 million as at 31 December 2011 ("FY2011") to S\$24.3 million as at 31 December 2012 ("FY2012"). This was mainly attributable to a reduction in plant and equipment of approximately S\$2.5 million and a drop in trade and other receivables by S\$1.8 million arising from the disposal of YES.

The disposal of YES also had a significant impact on the Group's total liabilities in FY2012, particularly on trade and other payables which had dropped by S\$2.1 million. Total liabilities of the Group stood at S\$5.3 million in FY2012, compared with S\$8.2 million in the previous year.

The increase in accumulated profits by S\$2.7 million to S\$12.4 million in FY2012 was in line with the profits made, after netting off dividends of S\$1.6 million paid in during the year. With a higher equity attributable to owners of the Company at S\$19.0 million, net asset value per share rose from 5.47 cents per share in FY2011 to 6.36 cents per share in FY2012.

Despite a higher profit for the year, net cash from operating activities were lower at S\$1.8 million in FY2012 due to lower profits from business operations. Net cash used in investing activities dropped by S\$2.0 million to S\$0.2 million, arising mainly from a decrease in capital expenditure of S\$1.5 million during the year. Dividends paid in FY2012 decreased by S\$0.7 million, thereby causing a drop in net cash used in financing activities for FY2012 to S\$1.6 million. As a result, the Group maintained a healthy cash flow position with cash and cash equivalents of S\$16.5 million in FY2012, which was fairly the same as in FY2011.



BOARD OF DIRECTORS

PROFESSOR CHAM TAO SOON

(Non-Executive Chairman and Independent Director)

Professor Cham was appointed as Non-Executive Chairman on 1 August 2012. He is also the Chairman of the Audit Committee and 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 University of Cambridge.

MOK YIP PENG

(Managing Director)

Mr Mok, a co-founder of the Company, has been with the Company since its incorporation in 1991. He was re-designated as Managing Director on 1 August 2012. He is also a member of the Nominating Committee. He is involved in the management and strategic planning of the Group and oversees the operations of the restaurant outlets.

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 oversees the corporate administration, human resource, public relations and information technology infrastructures of the Group. He is also spearheading the Group's Corporate Social Responsibility initiatives.

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

WONG CHI KEONG

(Executive Director)

Mr Wong, a co-founder of the Company, was appointed as Executive Director on 15 June 2011. He oversees the brand development, marketing, design and project management, as well as upgrading and maintenance of the 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. He oversees the corporate and business development, as well as the food manufacturing operations 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 holds a Bachelor of Mechanical Engineering from the University of Singapore.

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.

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

TOH YEN SANG

(Chief Financial Officer)

Ms Toh was re-designated as Chief Financial Officer on 1 August 2012 and is overseeing the financial reporting 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 non-practising Certified Public Accountant registered with the Institute of Certified Public Accountants of Singapore since 2004.

NG ENG CHYUAN

(Acting General Manager, Sales and Operations)

Mr Ng re-joined the Company on 1 August 2012 and is responsible for the sales and operations of restaurant business in Singapore. He has over 15 years of experience in operations, human resource and management in various service industries. He had held several positions in the Company before he joined Lion City Foods Pte Ltd and Sarika Connoisseur Café Pte Ltd in 2011.

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.

SU DO KIN MENG

(General Manager, Malaysia)

Mr Su Do joined the Group as General Manager for its operations in Malaysia on 15 March 2012 and has been appointed as Director of the Company's subsidiary, SRG F & B Malaysia Sdn Bhd ("SRGM") since 1 August 2012. He is responsible for the business development of SRGM, including the setting up of new restaurant outlets in Malaysia. He had held various senior positions with more than 30 years of working experience in established multinational firms such as Caltex Oil Malaysia Ltd (Chevron), Agip Petroli SpA (Singapore) and Prima Group Malaysia.

Mr Su Do holds a Diploma in Marketing from Chartered Institute of Marketing, London.

CHAN CHEE HUNG

(Senior Manager, Food Processing and 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.

AUDREY NG WEE YEN

*(Senior Manager, HR & Administration)**

Ms Ng managed 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 31 December 2012



CORPORATE INFORMATION

BOARD OF DIRECTORS

Chairman

Professor Cham Tao Soon

Members

Mok Yip Peng
Wong Wei Teck
Wong Chi Keong
Then Khok Koon
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
Saw Ming Tee
Mok Yip Peng

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

Audit Partner-in-charge

Lew Wan Ming
(Appointed since financial year ended
31 December 2008)



CORPORATE GOVERNANCE REPORT

The Board of Directors of Soup Restaurant Group Limited (the “Company” and together with its subsidiaries, the “Group”) is committed to maintaining a high standard of corporate governance to safeguard the interest of all its stakeholders.

This Report discloses the Company’s corporate governance framework and practices with specific reference made to the principles of the Code of Corporate Governance 2012 (“CCG 2012”) and explains any deviation from the Code.

(A) BOARD MATTERS

Principle 1: The Board’s Conduct of Affairs

The role of the Board is to:

- (a) provide entrepreneurial leadership, set strategic objectives and ensure that the necessary financial and human resources are in place for the Company to meet its objectives;
- (b) establish a framework of prudent and effective controls which enables risks to be assessed and managed, including safeguarding of shareholders’ interests and the Group’s assets;
- (c) review management performance;
- (d) identify the key stakeholder groups and recognize that their perceptions affect the Company’s reputation;
- (e) set the Company’s values and standards and ensure that obligations to shareholders and other stakeholders are understood and met; and
- (f) consider sustainability issues as part of its strategic formulation.

These functions are carried out either by the Board or through committees established by the Board, namely the Audit Committee, the Nominating Committee and the Remuneration Committee. The delegation of authority by the Board to the Board Committees enables the Board to achieve operational efficiency by empowering these Board Committees to decide on matters within their respective written terms of reference. Each of the Board Committees has its own terms of reference setting out the scope of its duties and responsibilities, the rules and regulations and procedures governing the manner in which it is to operate and how decisions are to be taken.

The Board is scheduled to meet at least twice a year, with additional meetings convened as and when there are matters requiring the Board’s decision at the relevant times. The scheduling of Board meetings in advance assists the Directors in planning for their attendance at these meetings. In addition, Article 120(2) of the Company’s Articles of Association provides for telephonic and video-conferencing meetings.

CORPORATE GOVERNANCE REPORT

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 2012 are disclosed below:

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

Note 1: Mr Then Khek Koon was re-designated as Executive Director on 1 January 2012.

Matters that require the Board's approval include the following:

- (a) approval of results announcement;
- (b) approval of annual report and financial statements;
- (c) declaration of interim dividends and proposal of final dividends;
- (d) approval of corporate strategies;
- (e) authorization of major transactions, including but not limited to major investment or acquisition/disposal proposals; and
- (f) convening of shareholders' meetings.

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

All Directors had undergone appropriate training on the roles and responsibilities required of a listed company's directors.

CORPORATE GOVERNANCE REPORT

Principle 2: Board Composition and Guidance

The Board comprises seven members as follows:

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

The Board, taking into account the views of the Nominating Committee, is of the opinion that Professor Cham Tao Soon, Mr Chua Koh Ming and Mr Saw Meng Tee are considered independent as they are independent in character and judgement, and there are no relationships or circumstances which are likely to affect, or could appear to affect, their judgement.

The appointment of three Independent Directors provides a strong and independent element on the Board capable of exercising objective judgment on corporate affairs of the Company. 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 view 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 CEO 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.

In view of the above, Professor Cham Tao Soon was appointed as the Non-Executive Chairman of the Board with effect from 1 August 2012. His duties as the Non-Executive Chairman includes:

- (a) leading the Board to ensure its effectiveness on all aspects of its role;
- (b) setting the agenda and ensure that adequate time is available for discussion of all agenda items, in particular strategic issues;
- (c) promoting a culture of openness and debate at the Board;
- (d) ensuring that the directors receive complete, adequate and timely information;
- (e) ensuring effective communication with shareholders;

CORPORATE GOVERNANCE REPORT

- (f) encouraging constructive relations within the Board and between the Board and Management;
- (g) facilitating the effective contribution of non-executive directors in particular; and
- (h) promoting high standards of corporate governance.

Principle 4: Board Membership

The Nominating Committee comprises a majority of independent directors, namely 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 general 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.

CORPORATE GOVERNANCE REPORT

Principle 5: Board Performance

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

The Board's performance is judged on the basis of accountability as a whole, rather than strict definitive financial performance criteria, as it would be difficult to apply specific financial performance criteria such as the Company's share price performance, to evaluate the Board. Each member of the Nominating Committee shall abstain from voting any resolutions in respect of 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 Group's businesses.

Principle 6: Access to Information

All directors shall have unrestricted access to the Company'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 contained 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 entirely independent directors, namely 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.

CORPORATE GOVERNANCE REPORT

Principle 8: Level and Mix Remuneration

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

The 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 2012 is as follows:

Name of Director	Salary ⁽¹⁾	Performance Bonus	Director's Fees ⁽²⁾	Total
	%	%	%	S\$'000
Mok Yip Peng	74	26	-	368
Wong Wei Teck	77	23	-	319
Then Khek Koon	83	17	-	311
Wong Chi Keong	80	20	-	264
Professor Cham Tao Soon	-	-	100	33
Chua Koh Ming	-	-	100	25
Saw Meng Tee	-	-	100	25

The summary of key executives' remuneration for the year ended 31 December 2012 is as follows:

Name of Key Executive	Salary ⁽¹⁾	Bonus	Total
	%	%	%
Below S\$250,000			
Toh Yen Sang ⁽³⁾	85	15	100
Ng Eng Chyuan	87	13	100
Su Do Kin Meng	80	20	100
Chan Chee Hung	86	14	100
Audrey Ng Wee Yen ⁽⁴⁾	92	8	100

The total remuneration paid to the above key executives was approximately S\$357,000.

CORPORATE GOVERNANCE REPORT

Notes:

- (1) Salary is inclusive of CPF contribution.
- (2) Directors' fees are only payable after approval by shareholders at annual general meeting.
- (3) Ms Toh Yen Sang is the sister-in-law of Mr Mok Yip Peng, Managing Director.
- (4) Ms Audrey Ng Wee Yen resigned on 31 December 2012.

The Company does not have any employee who is an immediate family member of a Director or the CEO during the year.

(C) ACCOUNTABILITY AND AUDIT

Principle 10: Accountability

The Board recognises its responsibility to provide a balanced and understandable assessment of the Company's performance, position and prospects and takes adequate steps to ensure compliance with legislative and regulatory requirements.

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 ("Listing Manual").

To enable effective monitoring and decision-making by the Board, the management provides the Board with a continual flow of relevant information on a timely basis as well as quarterly management accounts of the Group.

Principle 11: Risk Management and Internal Controls

The Board recognises the importance of maintaining a sound system of risk management and internal controls to safeguard shareholders' interests and the Group's assets. The Audit Committee, together with the Board, reviewed the adequacy and effectiveness of the Group's risk management and internal control systems put in place to address the key financial, operational, compliance and information technology risks affecting the operations on an annual basis with the assistance of internal auditors.

The Board of directors is of the view that based on the reports from internal auditors and with the concurrence from the Audit Committee, the system of internal controls maintained by the management is adequate to meet the needs of the Company having addressed the financial, operational, compliance and information technology risks. While acknowledging their responsibilities for the system of internal controls, the Board of directors is aware that such a system is designed to manage, rather than eliminate risks and therefore cannot provide an absolute assurance in this regard, or absolute assurance against occurrence of material errors, losses, poor judgment in decision making, human errors, fraud or other irregularities.

Principle 12: Audit Committee

The Audit Committee comprises entirely independent directors, namely 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 significant financial reporting issues and judgments so as to ensure the integrity of the financial statements of the Group and any announcements relating to the Group's financial performance;

CORPORATE GOVERNANCE REPORT

- (b) review and report to the Board at least annually the adequacy and effectiveness of the Group's internal controls, including financial, operational, compliance and information technology controls;
- (c) review the effectiveness of the Group's internal audit function;
- (d) review the scope and results of the external audit as well as the independence and objectivity of the external auditors;
- (e) recommend to the Board on the proposals to the shareholders on the appointment, re-appointment and removal of the external auditors and approve the remuneration and terms of engagement of the external auditors;
- (f) discuss problems and concerns, if any, arising from the interim and final audits in consultation with the external and internal auditors where necessary;
- (g) to meet with the external and internal auditors without the presence of the management annually to discuss any problems and concerns they may have;
- (h) review the internal audit programme and ensure co-ordination between the internal and external auditors and the management;
- (i) review the adequacy of the Group's internal controls as set out in the CCG 2012;
- (j) review the co-operation given by the Company's officers to the external auditors;
- (k) review and approve interested person transactions, if any; and
- (l) undertake such reviews and projects as may be requested by the Board or statute or the Listing Manual.

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.

BDO, LLP has been appointed as the external auditors of the Company and its Singapore-incorporated subsidiaries, having regard to the adequacy of the resources and experience of the auditing firm and the audit engagement partner assigned to the audit, the firm's other audit engagements, the size and complexity of the Group being audited, and the number of and experience of supervisory and professional staff assigned to the particular audit. The auditing firm is registered with the Accounting and Corporate Regulatory Authority of Singapore.

BDO, Malaysia has been appointed as the external auditors of the Company's overseas subsidiary, SRG F & B Malaysia Sdn Bhd. Both BDO LLP and BDO, Malaysia are members of BDO International Limited. Accordingly, the Company complied with Rule 712 and Rule 715 of the Listing Manual of the Singapore Exchange Securities Trading Limited.

The Audit Committee has undertaken a review of all non-audit services provided by the external auditors and is of the opinion that the provision of such services does not affect the independence of the external auditors.

CORPORATE GOVERNANCE REPORT

The Company has in place a whistle-blowing policy in which staff of the Company may raise concerns about possible improprieties in matters of financial reporting or other matters and procedures for raising such concerns are also communicated to the staff of the Company.

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 systems 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) SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Principle 14: Shareholder Rights

Principle 15: Communication with Shareholders

Principle 16: Conduct of Shareholder Meetings

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. Shareholders can also assess the Company's website for more information and updates on the Company's business and developments.

Article 90(2) of the Company's Articles of Association allows a member of the Company to appoint up to two proxies to attend and vote instead of the member. Also, separate resolutions for each distinct issue are tabled for shareholders' approval at general meetings.

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. The Company Secretary will also be available to advise shareholders on the rules, including voting procedures that govern these general meetings.

CORPORATE GOVERNANCE REPORT

RISK MANAGEMENT

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

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

MATERIAL CONTRACTS

[Listing Manual Rule 1207(8)]

There is no material contract entered into by the Company and its subsidiaries 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(17)&(18)]

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 2012 that exceeded the stipulated threshold as specified in Chapter 9 of the Listing Manual.

DEALINGS IN SECURITIES

[Listing Manual Rule 1207(19)]

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 period commencing one month before half-year and full financial year announcements of the Company's financial statements. In addition, the directors and officers are discouraged from dealing in the Company's securities on short-term considerations.

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 2012, the statement of financial position of the Company as at 31 December 2012 and the statement of changes in equity of the Company for the financial year ended 31 December 2012.

1. DIRECTORS

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

Professor Cham Tao Soon
Mok Yip Peng
Wong Wei Teck
Wong Chi Keong
Then Khek Koon
Chua Koh Ming
Saw Meng Tee

2. ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

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

3. DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

According to the Register of Directors' Shareholdings kept by the Company for the purposes of Section 164 of the Singapore Companies Act, Chapter 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 1.1.2012	Balance as at 31.12.2012	Balance as at 1.1.2012	Balance as at 31.12.2012
The Company	Number of ordinary shares			
Mok Yip Peng	55,683,600	65,543,600	–	–
Wong Wei Teck	41,091,900	41,091,900	–	–
Wong Chi Keong	39,091,800	48,952,300	–	–
Then Khek Koon	–	–	27,945,000	28,945,000
Professor Cham Tao Soon	300,000	300,000	200,000	200,000
Chua Koh Ming	300,000	300,000	–	–
Saw Meng Tee	300,000	300,000	–	–

By virtue of Section 7 of the Act, Mok Yip Peng is deemed to have an interest in all related corporations of the Company. 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 2013 in the shares of the Company have not changed from those disclosed as at 31 December 2012.

REPORT OF THE DIRECTORS

4. DIRECTORS' CONTRACTUAL BENEFITS

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive a benefit 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

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;
- 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

REPORT OF THE DIRECTORS

6. AUDIT COMMITTEE (CONTINUED)

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 Wei Teck
Director

Singapore
28 March 2013

STATEMENT BY DIRECTORS

In the opinion of the Board of Directors,

- (a) the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company together with the notes thereon 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 2012 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 Wei Teck
Director

Singapore
28 March 2013

INDEPENDENT AUDITORS' REPORT

To the Members of Soup Restaurant Group Limited

Report on the Financial Statements

We have audited the accompanying financial statements of Soup Restaurant Group Limited (the "Company") and its subsidiaries (the "Group") as set out on pages 31 to 75, which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2012, 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, Chapter 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

Report on the Financial Statements (Continued)

Opinion

In our opinion, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2012 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
28 March 2013

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2012

	Note	Group		Company	
		2012 \$	2011 \$	2012 \$	2011 \$
Non-current assets					
Plant and equipment	4	3,979,873	6,936,588	402,340	603,308
Investments in subsidiaries	5	–	–	700,002	694,161
Intangible assets	6	9,438	10,176	9,438	–
		3,989,311	6,946,764	1,111,780	1,297,469
Current assets					
Inventories	7	100,092	181,686	–	–
Trade and other receivables	8	3,732,698	4,950,242	3,309,755	1,812,002
Fixed deposits with banks	9	4,551,749	4,542,070	4,551,749	4,542,070
Cash and bank balances	9	11,944,459	11,859,906	8,795,717	2,539,089
Current income tax recoverable		–	12,726	–	–
		20,328,998	21,546,630	16,657,221	8,893,161
Less:					
Current liabilities					
Trade and other payables	10	4,132,928	6,184,295	3,531,995	1,214,519
Provisions	11	623,648	675,378	34,554	44,377
Current income tax payable		331,210	863,881	65,000	25,000
		5,087,786	7,723,554	3,631,549	1,283,896
Net current assets		15,241,212	13,823,076	13,025,672	7,609,265
Non-current liability					
Deferred tax liabilities	12	(244,036)	(502,454)	(16,200)	(16,200)
Net assets		18,986,487	20,267,386	14,121,252	8,890,534
Equity					
Share capital	13	6,592,761	6,592,761	6,592,761	6,592,761
Translation reserve	14	(12,531)	(591)	–	–
Accumulated profits		12,406,257	9,740,571	7,528,491	2,297,773
Equity attributable to owners of the parent					
		18,986,487	16,332,741	14,121,252	8,890,534
Non-controlling interests		–	3,934,645	–	–
Total equity		18,986,487	20,267,386	14,121,252	8,890,534

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

	Note	2012 \$	2011 \$
Revenue	15	35,258,149	33,237,910
Other items of income			
Interest income		15,792	14,857
Other income	16	3,876,459	207,858
Other items of expenses			
Changes in inventories		(81,593)	35,940
Purchases and other consumables		(7,913,184)	(7,995,524)
Employee benefits expenses	17	(11,902,842)	(10,549,278)
Depreciation and amortisation expenses		(1,427,955)	(1,166,482)
Other expenses		(13,758,675)	(11,689,620)
Finance costs	18	(8,539)	(13,392)
Profit before tax from continuing operations	19	4,057,612	2,082,269
Income tax expense	20	(323,111)	(435,324)
Profit from continuing operations, net of tax		3,734,501	1,646,945
Profit from discontinued operation, net of tax	21	843,684	1,232,659
		4,578,185	2,879,604
Other comprehensive income			
Exchange difference on translating foreign operation		(11,940)	(591)
Other comprehensive income for the year, net of tax		(11,940)	(591)
Total comprehensive income for the year		4,566,245	2,879,013
Profit for the year attributable to:			
Owners of the parent			
- Profit from continuing operations, net of tax		3,734,501	1,646,945
- Profit from discontinued operation, net of tax		498,310	628,409
Non-controlling interests		345,374	604,250
		4,578,185	2,879,604
Total comprehensive income attributable to:			
Owners of the parent			
- Profit from continuing operations, net of tax		3,722,561	1,646,354
- Profit from discontinued operation, net of tax		498,310	628,409
Non-controlling interests		345,374	604,250
		4,566,245	2,879,013
Earnings per share attributable to owners of the parent (cents)			
Basic and diluted, continuing operations	22	1.25	0.55
Basic and diluted, discontinued operation	22	0.17	0.21

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

Equity attributable to owners of the parent						
Note	Share capital \$	Translation reserve \$	Accumulated profits \$	Total \$	Non-controlling interests \$	Total equity \$
Group						
Balance at 1.1.2012	6,592,761	(591)	9,740,571	16,332,741	3,934,645	20,267,386
Total comprehensive income for the year:						
Profit from continuing operations, net of tax	-	-	3,734,501	3,734,501	-	3,734,501
Profit from discontinued operation, net of tax	-	-	498,310	498,310	345,374	843,684
Other comprehensive income:						
Exchange difference on translating foreign operation	-	(11,940)	-	(11,940)	-	(11,940)
Total comprehensive income for the year	-	(11,940)	4,232,811	4,220,871	345,374	4,566,245
Distributions to owners						
Disposal of subsidiary	-	-	-	-	(4,280,019)	(4,280,019)
Dividends	23	-	(1,567,125)	(1,567,125)	-	(1,567,125)
Total transactions with owners	-	-	(1,567,125)	(1,567,125)	(4,280,019)	(5,847,144)
Balance at 31.12.2012	6,592,761	(12,531)	12,406,257	18,986,487	-	18,986,487
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 from continuing operations, net of tax	-	-	1,646,945	1,646,945	-	1,646,945
Profit from discontinued operation, net of tax	-	-	628,409	628,409	604,250	1,232,659
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
Distributions to owners						
Dividends	23	-	(2,537,250)	(2,537,250)	(250,000)	(2,787,250)
Total transactions with owners	-	-	(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

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

	Note	Share capital \$	Accumulated profits \$	Total equity \$
Company				
Balance at 1.1.2012		6,592,761	2,297,773	8,890,534
Profit for the year, representing total comprehensive income for the year		–	6,797,843	6,797,843
Distributions to owners				
Dividends	23	–	(1,567,125)	(1,567,125)
Total transactions with owners		–	(1,567,125)	(1,567,125)
Balance at 31.12.2012		6,592,761	7,528,491	14,121,252
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
Distributions to owners				
Dividends	23	–	(2,537,250)	(2,537,250)
Total transactions with owners		–	(2,537,250)	(2,537,250)
Balance at 31.12.2011		6,592,761	2,297,773	8,890,534

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

	Note	2012 \$	2011 \$
Cash flows from operating activities			
Profit before tax from continuing operations		4,057,612	2,082,269
Adjustments for:			
Amortisation of intangible assets	6	416	–
Depreciation of plant and equipment	19	1,427,539	1,166,482
Gain on disposal of subsidiary	5	(3,440,857)	–
Interest expense	18	8,539	13,392
Interest income		(15,792)	(14,857)
Loss/(gain) on disposal of plant and equipment	19	13,745	(500)
Plant and equipment written off	19	164,005	4,228
Provision for unutilised leave		32,655	13,982
Translation differences		(11,940)	(591)
Operating profit before working capital changes		2,235,922	3,264,405
Working capital changes:			
Inventories		81,594	(35,940)
Trade and other receivables		(819,668)	(697,693)
Trade and other payables		(559,267)	492,868
Cash generated from operations		938,581	3,023,640
Income taxes paid		(391,541)	(453,658)
Interest received		15,792	14,857
Cash from operating activities, continuing operations		562,832	2,584,839
Cash from operating activities, discontinued operation	21	1,279,842	1,686,262
Net cash from operating activities		1,842,674	4,271,101
Cash flows from investing activities			
Proceeds from disposal of plant and equipment		1,750	500
Disposal of subsidiary, net of cash disposed	5	1,018,437	–
Purchase of plant and equipment	4	(629,398)	(2,123,512)
Purchase of intangible assets	6	(9,854)	–
Cash generated from/(used in) investing activities, continuing operations		380,935	(2,123,012)
Cash used in investing activities, discontinued operation	21	(562,252)	(62,888)
Net cash used in investing activities		(181,317)	(2,185,900)
Cash flows from financing activities			
Dividends paid		(1,567,125)	(2,027,250)
Dividends paid to non-controlling interests		–	(250,000)
Cash used in financing activities, continuing operations		(1,567,125)	(2,277,250)
Cash used in financing activities, discontinued operation	21	–	(510,000)
Net cash used in financing activities		(1,567,125)	(2,787,250)
Net change in cash and cash equivalents		94,232	(702,049)
Cash and cash equivalents at beginning of financial year		16,401,976	17,104,025
Cash and cash equivalents at end of financial year	9	16,496,208	16,401,976

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

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 2012 were authorised for issue in accordance with a directors’ resolution dated 28 March 2013.

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 Company is listed on the Singapore Exchange Securities Trading Limited (SGX-ST).

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, Chapter 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 make judgements, estimates and assumptions that affect the Group’s application of accounting policies and reported amounts of assets, liabilities, revenue and expenses. Although these estimates are based on the management’s best knowledge of current events and actions, actual results may differ from those estimates.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation of financial statements (Continued)

FRS and INT FRS issued but not yet effective

At the date of authorisation of these financial statements, the following FRS and INT FRS were issued but not effective:

		Effective date (annual periods beginning on or after)
FRS 1 (Amendments)	Presentation of items of other comprehensive income	1 July 2012
FRS 19 (Revised)	Employee benefits	1 January 2013
FRS 27 (Revised)	Separate financial statements	1 January 2014
FRS 28 (Revised)	Investments in associates and joint ventures	1 January 2014
FRS 32 (Amendments)	Offsetting financial assets and financial liabilities	1 January 2014
FRS 101 (Amendments)	Government loans	1 January 2013
FRS 107 (Amendments)	Offsetting financial assets and financial liabilities	1 January 2013
FRS 110	Consolidated financial statements	1 January 2014
FRS 111	Joint arrangements	1 January 2014
FRS 112	Disclosure of interests in other entities	1 January 2014
FRS 113	Fair value measurement	1 January 2013
INT FRS 120	Stripping costs in the production phase of a surface mine	1 January 2013
FRS 110, 112 and 27 (Amendments)	Investment Entities	1 January 2014
Improvements to FRSs 2012		1 January 2013
- FRS 1 (Amendments)	Presentation of financial statements	
- FRS 16 (Amendments)	Property, plant and equipment	
- FRS 32 (Amendments)	Financial instruments: presentation	

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 except as disclosed below.

Amendments to FRS 1 Presentation of Items of Other Comprehensive Income

The amendments to FRS 1 change the grouping of items presented in other comprehensive income. Items that could be reclassified to profit or loss at a future point in time will be presented separately from items which will never be reclassified. As the amendments only affect the presentation of items that are already recognised in other comprehensive income, there will be no impact on the Group's financial position or performance on initial adoption of this standard in the financial year beginning on 1 January 2013.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation of financial statements (Continued)

FRS and INT FRS issued but not yet effective (Continued)

FRS 110 Consolidated Financial Statements and FRS 27 Separate Financial Statements

FRS 110 replaces the control assessment criteria and consolidation requirements currently in FRS 27 and INT FRS 12, Consolidation – Special Purpose Entities. FRS 110 defines the principle of control and establishes a new control model as the basis for determining which entities are consolidated in the consolidated financial statements. FRS 27 remains as a standard applicable only to separate financial statements. On adoption of FRS 110 management will be required to exercise more judgement than under the current requirements of FRS 27 in order to determine which entities are controlled by the Group. These changes will take effect from the financial year beginning on 1 January 2014 with full retrospective application. The Group does not expect that the adoption of FRS 110 will have any impact on the financial position or financial performance of the Group.

FRS 112 Disclosure of Interests in Other Entities

FRS 112 is a new standard which prescribes comprehensive disclosure requirements for all types of interests in other entities. It requires an entity to provide more extensive disclosures regarding the nature of any risks associated with its interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities. As this is a disclosure standard, there will be no impact on the financial position or financial performance of the Group on initial adoption of the standard in the financial year beginning on 1 January 2014.

FRS 113 Fair Value Measurement

FRS 113 is a new standard that applies to both financial and non-financial items providing guidance on how to measure fair value in situations where fair value measurement is required by other FRSs. It provides a common fair value definition and hierarchy applicable to the fair value measurement of assets, liabilities, and an entity's own equity instruments within its scope, as well as disclosure requirements. FRS 113 will be effective prospectively from the financial year beginning on 1 January 2013.

The Group does not expect that the adoption of FRS 113 will have any impact on the financial position or financial performance of the Group, however there may be changes to disclosures in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

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 losses may be an impairment indication for the asset concerned.

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, it derecognises the assets and liabilities of the subsidiary and any non-controlling interest. 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.

In the separate financial statements of the Company, 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 2012

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

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal.

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 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Intangible assets

Trademarks

Trademarks are capitalised and stated at cost less accumulated amortisation and accumulated impairment loss, if any, which includes the purchase price (net of any discounts and rebates) and other directly attributable costs of registration for its intended use. Costs associated with maintaining the trademarks are recognised as an expense as incurred. The costs are amortised to profit or loss using the straight-line method over 10 years, over their estimated useful life.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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. The damaged, obsolete and slow-moving items are to be written down to the lower of cost and net realisable value.

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.

On sale of a financial asset, the difference between the carrying amount and the net sale proceeds is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Financial assets (Continued)

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 is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument, or where appropriate, a shorter period, 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 is 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.

2.13 Employee benefits expenses

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 Taxes

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current income tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted in countries where the Company and subsidiaries operate by the end of the financial year.

Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised on taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Taxes (Continued)

Deferred tax (Continued)

The carrying amount of deferred tax assets is reviewed at the end of each financial year and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the financial year. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the group expects to recover or settle its assets and liabilities, except for investment properties at fair value which are presumed to be recovered through sale.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited directly to equity, in which case the tax is also recognised directly in equity, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

Sales tax

Revenue, expenses and assets are recognised net of the amount of sales tax except:

- when the sales tax that is incurred on purchase of assets or services is not recoverable from the tax authorities, in which case the sales tax is recognised as part of cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of sales tax included.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 foreign currency 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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. The estimates and associated assumptions were based on historical experience and other factors that were considered to be reasonable under the circumstances. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements made in applying the 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Critical judgements made in applying the accounting policies (Continued)

(i) Impairment of investment or financial assets

The Group and the Company follow the guidance of 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 amount of the Group's and the Company's plant and equipment at 31 December 2012 was \$3,979,873 (2011: \$6,936,588) and \$402,340 (2011: \$603,308) 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 amount of the Group's and the Company's trade and other receivables (excluding the prepayments) at 31 December 2012 was \$3,475,303 (2011: \$4,607,967) and \$3,270,095 (2011: \$1,787,764) respectively.

(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 amount of the Group's and the Company's current income tax payable at 31 December 2012 was \$331,210 (2011: \$863,881) and \$65,000 (2011: \$25,000) respectively. The carrying amount of the Group's and Company's current income tax recoverable at 31 December 2012 was \$Nil (2011: \$12,726) and \$Nil (2011: \$Nil). The carrying amount of the Group's and the Company's deferred tax liabilities at 31 December 2012 was \$244,036 (2011: \$502,454) and \$16,200 (2011: \$16,200) respectively.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

4. PLANT AND EQUIPMENT

Group	Air- Conditioners	Computer equipment	Electrical equipment	Furniture and fittings	Kitchen equipment	Machinery	Motor vehicles	Office equipment	Renovation	Total
2012	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Cost										
Balance at 1.1.2012	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
Additions	139,673	89,319	66,263	181,801	346,330	23,479	99,992	1,526	1,066,692	2,015,075
Disposal of a subsidiary	(636,462)	(340,774)	(482,237)	(394,029)	(1,401,110)	—	—	(63,571)	(3,670,767)	(6,988,950)
Disposals	—	—	—	(340)	(46,904)	—	—	—	—	(47,244)
Written off	(128,078)	(20,318)	(183,167)	(251,525)	(321,134)	—	—	(2,417)	(1,001,237)	(1,907,876)
Exchange translation differences	(2,064)	(198)	(1,802)	(2,564)	(4,270)	—	—	(28)	(6,143)	(17,069)
Balance at 31.12.2012	822,122	308,548	719,480	1,582,753	1,607,925	239,990	223,539	75,540	3,294,523	8,874,420
Accumulated depreciation										
Balance at 1.1.2012	663,880	406,172	626,021	870,314	1,598,098	5,042	122,381	67,655	4,524,333	8,883,896
Depreciation for the financial year	160,049	96,770	146,363	271,853	325,594	22,775	17,832	15,654	998,565	2,055,455
Disposal of a subsidiary	(341,891)	(281,085)	(289,035)	(236,855)	(867,673)	—	—	(49,011)	(2,501,110)	(4,566,660)
Disposals	—	—	—	(340)	(31,409)	—	—	—	—	(31,749)
Written off	(77,000)	(19,704)	(134,680)	(162,870)	(221,008)	—	—	(1,714)	(825,954)	(1,442,930)
Exchange translation differences	(231)	(37)	(167)	(302)	(354)	—	—	(3)	(2,371)	(3,465)
Balance at 31.12.2012	404,807	202,116	348,502	741,800	803,248	27,817	140,213	32,581	2,193,463	4,894,547
Net carrying amount										
Balance at 31.12.2012	417,315	106,432	370,978	840,953	804,677	212,173	83,326	42,959	1,101,060	3,979,873

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

4. PLANT AND EQUIPMENT (CONTINUED)

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 2012

4. PLANT AND EQUIPMENT (CONTINUED)

Company 2012	Air- conditioners \$	Computer equipment \$	Electrical equipment \$	Furniture and fittings \$	Kitchen equipment \$	Motor vehicles \$	Office equipment \$	Renovation \$	Total \$
Cost									
Balance at 1.1.2012	85,111	145,506	105,667	209,882	79,929	133,179	51,959	243,259	1,054,492
Additions	—	69,720	—	50,021	—	—	468	9,818	130,027
Transfer	(16,511)	(2,802)	(29,329)	(107,823)	(79,439)	—	—	(161,634)	(397,538)
Written off	—	(4,500)	—	—	(490)	—	—	—	(4,990)
Balance at 31.12.2012	68,600	207,924	76,338	152,080	—	133,179	52,427	91,443	781,991
Accumulated depreciation									
Balance at 1.1.2012	11,221	95,481	15,454	44,180	26,059	132,013	5,696	121,080	451,184
Depreciation for the financial year	13,726	39,754	17,362	45,145	11,093	1,166	8,244	71,449	207,939
Transfer	(7,797)	(1,603)	(16,723)	(50,063)	(36,934)	—	—	(161,634)	(274,754)
Written off	—	(4,500)	—	—	(218)	—	—	—	(4,718)
Balance at 31.12.2012	17,150	129,132	16,093	39,262	—	133,179	13,940	30,895	379,651
Net carrying amount									
Balance at 31.12.2012	51,450	78,792	60,245	112,818	—	—	38,487	60,548	402,340

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

4. PLANT AND EQUIPMENT (CONTINUED)

Company	Air- conditioners	Computer	Electrical equipment	Furniture and fittings	Kitchen equipment	Motor vehicles	Office equipment	Renovation	Total
2011	\$	\$	\$	\$	\$	\$	\$	\$	\$
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

Certain plant and equipment of the Company with net book value of \$122,784 (2011: \$26,223) were transferred to subsidiaries under the restructuring exercise during the financial year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

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	
	2012 \$	2011 \$
Additions of plant and equipment	2,015,075	2,862,004
Provision for dismantlement, removal or restoration	(268,073)	(60,304)
Other payables	(554,852)	(615,300)
Cash payments to acquire plant and equipment	1,192,150	2,186,400
Less: discontinued operation	(562,752)	(62,888)
Net cash payments for continuing operations	(629,398)	(2,123,512)

5. INVESTMENTS IN SUBSIDIARIES

	Company	
	2012 \$	2011 \$
Unquoted equity shares, at cost	700,102	694,261
Allowance for impairment loss	(100)	(100)
	700,002	694,161

Movement in allowance for impairment loss is as follows:

	Company	
	2012 \$	2011 \$
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 Malaysia Sdn. Bhd. ("SRGM") with paid-up share capital of RM2. The principal activity of SRGM is that of the operation of restaurants.

On 20 September 2012, the Company subscribed to an additional 200,000 ordinary shares for total cash consideration amounting to \$200,000 in one of its subsidiaries, Soup Restaurant (Causeway Point) Pte Ltd for working capital purposes.

On 10 October 2012, the Company's subsidiary, SRI subscribed to an additional 499,998 ordinary shares for RM499,998 by capitalising the amount due from SRGM for working capital purposes.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

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	
			2012 %	2011 %
Soup Restaurant (Seah Street) Pte Ltd ⁽¹⁾	Operation of restaurants	Singapore	100	100
Soup Restaurant (Jurong Point) Pte Ltd ⁽¹⁾	Operation of restaurants	Singapore	100	100
Soup Restaurant (Causeway Point) Pte Ltd ⁽¹⁾	Operation of restaurants	Singapore	100	100
Sure Food Pte. Ltd. ⁽¹⁾	Food processing and distributing	Singapore	100	100
Soup Restaurant Investments Pte. Ltd. ⁽¹⁾	Investment holding company	Singapore	100	100
Y.E.S F & B Group Pte. Ltd. ⁽²⁾	Operation of restaurants	Singapore	–	50.24
<u>Held by Soup Restaurant Investments Pte. Ltd.</u>				
SRG F & B Malaysia Sdn. Bhd. ⁽³⁾	Operation of restaurants	Malaysia	100	100
Y.E.S F & B Group Pte. Ltd. ⁽²⁾	Operation of restaurants	Singapore	–	0.74

⁽¹⁾ Audited by BDO LLP, Singapore

⁽²⁾ Audited by BDO LLP, Singapore for consolidation purpose

⁽³⁾ Audited by BDO, Malaysia, a member of BDO International Limited

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

SOUP
RESTAURANT

5. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Disposal of subsidiary

On 31 July 2012, the Group disposed of its entire interest in Y.E.S F & B Group Pte. Ltd. for cash consideration of \$7,901,900.

The effects of the disposal as at the date of disposal were as follows:

	Carrying amount \$
Plant and equipment	2,422,290
Intangible assets	9,372
Trade and other receivables	1,780,959
Cash and bank balances	6,883,463
	11,096,084
Trade and other payables	1,492,250
Provisions	225,280
Income tax payable	329,228
Deferred tax liabilities	298,752
	2,345,510
Net identifiable assets	8,750,574
Share of equity interest of 50.98% for net identifiable assets	4,461,043

The effects of disposal of subsidiary on cash flows are as follows:

	2012 \$
Cash proceeds from disposal	7,901,900
Net identifiable assets disposed (as above)	(4,461,043)
Gain on disposal (Note 16)	3,440,857
Cash proceeds from disposal	7,901,900
Cash and cash equivalents disposed	(6,883,463)
Net cash inflow on disposal	1,018,437

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

6. INTANGIBLE ASSETS

	Group		Company	
	2012	2011	2012	2011
	\$	\$	\$	\$
Trademarks				
Cost				
Balance at beginning of year	14,290	14,290	–	–
Addition during the year	9,854	–	9,854	–
Disposal of a subsidiary	(14,290)	–	–	–
Balance at end of year	9,854	14,290	9,854	–
Accumulated amortisation				
Balance at beginning of year	4,114	2,685	–	–
Amortisation during the year	1,220	1,429	416	–
Disposal of a subsidiary	(4,918)	–	–	–
Balance at end of year	416	4,114	416	–
Net carrying amount				
Balance at end of year	9,438	10,176	9,438	–

7. INVENTORIES

	Group	
	2012	2011
	\$	\$
Consumables	100,092	181,686

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 as follows:

	Continuing operations		Discontinued operation		Group	
	2012	2011	2012	2011	2012	2011
	\$	\$	\$	\$	\$	\$
Purchases and other consumables	7,913,184	7,995,524	3,486,751	6,344,540	11,399,935	14,340,064

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

SOUP
RESTAURANT

8. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2012 \$	2011 \$	2012 \$	2011 \$
Trade receivables	335,152	629,120	12,880	50,508
Other receivables	121,231	106,054	84,468	90,611
Rental and utilities deposits	3,018,920	3,872,793	101,498	209,701
Prepayments	257,395	342,275	39,660	24,238
Due from subsidiaries				
– non-trade	–	–	5,112,536	2,645,768
Less: Allowance for impairment loss	–	–	(2,041,287)	(1,208,824)
Net amount due from subsidiaries	–	–	3,071,249	1,436,944
Total trade and other receivables	3,732,698	4,950,242	3,309,755	1,812,002
Add: Cash and cash equivalents (Note 9)	16,496,208	16,401,976	13,347,466	7,081,159
Less: Prepayments	(257,395)	(342,275)	(39,660)	(24,238)
Total loans and receivables	19,971,511	21,009,943	16,617,561	8,868,923

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

	Company	
	2012 \$	2011 \$
Balance at beginning of financial year	1,208,824	1,153,096
Allowance for impairment loss made during the financial year	832,463	55,728
Balance at end of financial year	2,041,287	1,208,824

Trade receivables are non-interest bearing and generally on 1 – 30 (2011: 1 – 30) days' credit terms.

The non-trade 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.

The allowance for impairment loss of amounts due from subsidiaries of \$832,463 (2011: \$55,728) are recognised in profit or loss subsequent to debt recovery assessment performed on the subsidiaries by the management.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

8. TRADE AND OTHER RECEIVABLES (CONTINUED)

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

	Group		Company	
	2012	2011	2012	2011
	\$	\$	\$	\$
Singapore dollar	3,611,518	4,808,195	3,309,755	1,812,002
Ringgit Malaysia	121,180	142,047	–	–
	3,732,698	4,950,242	3,309,755	1,812,002

9. CASH AND CASH EQUIVALENTS

	Group		Company	
	2012	2011	2012	2011
	\$	\$	\$	\$
Fixed deposits with banks	4,551,749	4,542,070	4,551,749	4,542,070
Cash and bank balances	11,944,459	11,859,906	8,795,717	2,539,089
	16,496,208	16,401,976	13,347,466	7,081,159

Fixed deposits are placed for tenure of 60 to 92 days (2011: 29 to 94 days). The effective interest rates on the fixed deposits and cash at banks are approximately 0.085% to 0.27% (2011: 0.09% to 0.26%) per annum.

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

	Group		Company	
	2012	2011	2012	2011
	\$	\$	\$	\$
Singapore dollar	16,213,646	16,213,288	13,347,466	7,081,159
Ringgit Malaysia	282,562	188,688	–	–
	16,496,208	16,401,976	13,347,466	7,081,159

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

10. TRADE AND OTHER PAYABLES

	Group		Company	
	2012 \$	2011 \$	2012 \$	2011 \$
Trade payables	968,707	1,923,799	–	65,649
Other payables	1,060,761	1,819,484	384,576	538,267
Accrued operating expenses	1,903,813	2,173,463	455,548	462,010
Unutilised annual leave	199,647	267,549	10,443	29,799
Due to subsidiaries – non-trade	–	–	2,681,428	118,794
Total financial liabilities carried at amortised cost	4,132,928	6,184,295	3,531,995	1,214,519

Trade payables are non-interest bearing and generally on 30 (2011: 30) days' credit terms.

Other payables include payables for purchases of plant and equipment, professional and legal fees.

The non-trade 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	
	2012 \$	2011 \$	2012 \$	2011 \$
Singapore dollar	3,560,359	6,148,628	3,531,995	1,214,519
Ringgit Malaysia	572,569	35,667	–	–
	4,132,928	6,184,295	3,531,995	1,214,519

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

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	
	2012	2011	2012	2011
	\$	\$	\$	\$
Balance at beginning of financial year	675,378	612,302	44,377	46,098
Provision made during the financial year	268,073	60,304	12,958	20,568
Transfer to a subsidiary	–	–	(23,810)	–
Utilisation during the financial year	(103,062)	(17,364)	–	(24,071)
Disposal of a subsidiary	(225,280)	–	–	–
Amortisation of discount	8,539	20,136	1,029	1,782
Balance at end of financial year	623,648	675,378	34,554	44,377

12. DEFERRED TAX LIABILITIES

	Group		Company	
	2012	2011	2012	2011
	\$	\$	\$	\$
Balance at beginning of financial year	502,454	624,827	16,200	16,200
Charged/(Credited) to profit or loss	40,334	(122,373)	–	–
Disposal of a subsidiary	(298,752)	–	–	–
Balance at end of financial year	244,036	502,454	16,200	16,200

Recognised deferred tax liabilities are attributable to the following:

	Group		Company	
	2012	2011	2012	2011
	\$	\$	\$	\$
Accelerated tax depreciation	269,760	545,771	21,266	21,266
Other timing differences	(25,724)	(43,317)	(5,066)	(5,066)
	244,036	502,454	16,200	16,200

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

13. SHARE CAPITAL

	Group and Company	
	2012	2011
	\$	\$
<i>Issued and fully paid with no par value</i>		
298,500,000 (2011: 298,500,000) ordinary shares		
at beginning and end of financial year	6,592,761	6,592,761

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	
	2012	2011
	\$	\$
Balance at beginning of financial year	(591)	–
Exchange difference arising on translation of foreign subsidiary	(11,940)	(591)
Balance at end of financial year	(12,531)	(591)

15. REVENUE

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

16. OTHER INCOME

	Continuing operations		Discontinued operation		Group	
	2012	2011	2012	2011	2012	2011
	\$	\$	\$	\$	\$	\$
Foreign exchange gain	893	6,536	14	11	907	6,547
Franchise fees	50,000	–	–	–	50,000	–
Gain on disposal of plant and equipment	–	500	500	–	500	500
Gain on disposal of subsidiary	3,440,857	–	–	–	3,440,857	–
Government grants	287,515	35,929	889	170,137	288,404	206,066
Royalty fee	95,434	83,659	20,617	43,586	116,051	127,245
Sundry income	1,760	81,234	6,942	5,154	8,702	86,388
	3,876,459	207,858	28,962	218,888	3,905,421	426,746

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

17. EMPLOYEE BENEFITS EXPENSES

	Group	
	2012	2011
	\$	\$
Continuing operations		
Salaries, bonuses and other benefits	11,125,259	9,871,943
Contributions to defined contribution plans	777,583	677,335
	11,902,842	10,549,278
Discontinued operation		
Salaries, bonuses and other benefits	4,090,472	7,320,116
Contributions to defined contribution plans	218,969	482,526
	4,309,441	7,802,642
	16,212,283	18,351,920

The above includes the amounts shown as key management personnel remuneration (excludes Directors' fees) in Note 26 to the financial statements.

18. FINANCE COSTS

	Group	
	2012	2011
	\$	\$
Continuing operations		
Amortisation of discount on provision	8,539	13,392
Discontinued operation		
Amortisation of discount on provision	–	6,744
	8,539	20,136
	8,539	20,136

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

19. PROFIT BEFORE TAX

The above is arrived at after charging:

	Continuing operations		Discontinued operation		Group	
	2012	2011	2012	2011	2012	2011
	\$	\$	\$	\$	\$	\$
<i>Other expenses</i>						
Audit fees paid to						
- the auditors of the						
Company	105,000	83,000	–	25,000	105,000	108,000
- other auditor	5,949	–	–	–	5,949	–
Non-audit fees paid to						
- the auditors of the						
Company	49,970	78,850	–	2,450	49,970	81,300
- other auditor	1,598	–	–	–	1,598	–
Amortisation of						
intangible assets	416	–	804	1,429	1,220	1,429
Cleaning materials	932,498	922,069	311,195	513,863	1,243,693	1,435,932
Credit card commission						
charges	428,734	418,652	172,807	361,642	601,541	780,294
Depreciation of plant						
and equipment	1,427,539	1,166,482	627,916	1,140,573	2,055,455	2,307,055
Directors' fees						
– Directors of the Company	83,334	113,082	–	–	83,334	113,082
– Directors of a subsidiary	–	–	(19,996)	40,000	(19,996)	40,000
Loss on disposal on plant						
and equipment	13,745	–	–	–	13,745	–
Operating lease expenses						
– minimum lease payments	5,677,611	5,317,451	2,146,463	3,745,486	7,824,074	9,062,937
– contingent rents	734,792	558,629	306,997	359,197	1,041,789	917,826
Plant and equipment written						
off	164,005	4,228	300,941	9,377	464,946	13,605
Professional and consultancy						
fees	1,396,909	737,965	255,924	278,319	1,652,833	1,016,284
Rental of machineries	38,910	34,626	–	–	38,910	34,626
Repair and maintenance	290,383	234,904	168,433	293,839	458,816	528,743
Utilities	1,924,823	1,647,763	637,391	994,444	2,562,214	2,642,207

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

20. INCOME TAX EXPENSE

	Continuing operations		Discontinued operation		Group	
	2012	2011	2012	2011	2012	2011
	\$	\$	\$	\$	\$	\$
Current income tax expense						
– current financial year	269,605	462,700	172,802	411,183	442,407	873,883
– under/(over) provision in prior years	13,172	(35,918)	–	104,018	13,172	68,100
	282,777	426,782	172,802	515,201	455,579	941,983
Deferred tax						
– current financial year	9,042	5,465	–	(92,201)	9,042	(86,736)
– under/(over) provision in prior years	31,292	3,077	–	(38,714)	31,292	(35,637)
	40,334	8,542	–	(130,915)	40,334	(122,373)
Total income tax expense	323,111	435,324	172,802	384,286	495,913	819,610

Domestic income tax is calculated at 17% (2011: 17%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

Reconciliation of effective tax rate

	Group	
	2012	2011
	\$	\$
Continuing operations:		
Profit before income tax	4,057,612	2,082,269
Income tax at statutory tax rate	689,794	353,986
Effect of different tax rate in other country	(18,578)	–
Tax effect of expenses non-deductible for income tax purposes	248,268	176,713
Tax effect of income not subject to income tax	(588,863)	(15,728)
Tax effect of Singapore's statutory stepped income exemption	(74,237)	(65,526)
Under/(over) provision in prior years	44,464	(32,841)
Others	22,263	18,720
	323,111	435,324

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

21. DISCONTINUED OPERATION

Following the shareholders' approval on 31 July 2012 and as announced on 7 August 2012, upon the completion of the disposal of the Group's entire equity interests in Y.E.S F & B Group Pte Ltd ("YES"), YES ceased to be a subsidiary of the Group.

In compliance with FRS 105, Non-current Assets Held for Sale and Discontinued Operations, the results of YES are presented separately in the consolidated statement of comprehensive income as "Discontinued operation".

The results of the "Discontinued operation" from 1 January 2012 to 31 July 2012 and comparative financial year ended 31 December 2011 which have been included in the consolidated financial statement, were as follows:

	Note	2012 \$	2011 \$
Revenue		14,345,060	24,635,596
Interest income		5,942	7,685
Other income	16	28,962	218,888
Purchases and consumables	7	(3,486,751)	(6,344,540)
Employee benefits expenses	17	(4,309,441)	(7,802,642)
Depreciation expenses		(627,916)	(1,140,573)
Amortisation expenses		(804)	(1,429)
Other expenses		(4,938,566)	(7,949,296)
Finance costs	18	–	(6,744)
Profit before tax from discontinued operation	19	1,016,486	1,616,945
Income tax expense	20	(172,802)	(384,286)
Profit after tax from discontinued operation		843,684	1,232,659

The impact of the discontinued operation on the cash flows of the Group is as follows:

	2012 \$	2011 \$
Operating cash inflows	1,279,842	1,686,262
Investing cash outflows	(562,252)	(62,888)
Financing cash outflows	–	(510,000)
Total cash inflows	717,590	1,113,374

The separate disclosure for continuing operations and discontinued operation in the consolidated statement of comprehensive income for the financial year ended 31 December 2011 was made to enhance comparability. It is not a restatement of the consolidated statement of comprehensive income for the financial year ended 31 December 2011.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

22. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the ordinary equity holders of the Company is based on the following data:

	Group	
	2012	2011
	\$	\$
Earnings		
Earnings for the purposes of basic and diluted earnings per share (profit for the year attributable to the owners of the parent)	3,734,501	1,646,945
	2012	2011
Number of shares		
Actual number of ordinary shares for the purposes of basic and diluted earnings per share	298,500,000	298,500,000

From continuing operations:

	2012	2011
Earnings per share (cents)		
Basic and diluted	1.25	0.55

The calculation of the basic and diluted earnings per share from continuing operations attributable to the ordinary equity holders of the Company is based on the following data:

	Group	
	2012	2011
	\$	\$
Earnings figures are calculated as follows:		
Profit for the year attributable to owners of the parent	4,232,811	2,275,354
Less: Profit for the year from discontinued operation	(498,310)	(628,409)
Earnings for the purposes of basic and diluted earnings per share from continuing operations	3,734,501	1,646,945

From discontinued operation:

Basic and diluted earnings per share for the discontinued operation is 0.17 (2011: 0.21) cents per share based on the profit for the year from the discontinued operation of \$498,310 (2011: \$628,409) and the denominators detailed above for both basic and diluted earnings per share.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

23. DIVIDENDS

	Group and Company	
	2012	2011
	\$	\$
Final tax-exempt dividend paid of 0.175 (2011: 0.50) cents per share in respect of the previous financial year	522,375	1,492,500
Interim tax-exempt dividend paid of 0.35 (2011: 0.35) cents per share in respect of the current financial year	1,044,750	1,044,750
	1,567,125	2,537,250

The Directors of Company recommend a special and final tax-exempt dividend of 0.80 (2011: Nil) cents and 0.35 (2011: 0.175) cents per share amounting to \$2,388,000 (2011: Nil) and \$1,044,750 (2011: \$522,375) to be paid in respect of current financial year. These special and final dividends have not been recognised as liabilities at the end of financial year as it is subject to approval at the forthcoming Annual General Meeting of the Company.

24. 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	
	2012	2011	2012	2011
	\$	\$	\$	\$
Not later than one year	6,132,166	8,946,083	116,508	516,110
Later than one year but not later than five years	7,583,091	8,293,310	177,140	296,027
	13,715,257	17,239,393	293,648	812,137

The above lease agreements expire on date between 15 February 2013 to 31 January 2017. 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.

25. CONTINGENT LIABILITIES, UNSECURED

The Company has undertaken to provide continued financial support to three of its subsidiaries namely Soup Restaurant Investments Pte. Ltd., Soup Restaurant (Seah Street) Pte Ltd and SRG F & B Malaysia Sdn. Bhd., which have accumulated losses of \$540,430 (2011: \$160,096), \$972,559 (2011: \$861,906) and \$77,265 (2011: \$Nil) respectively in excess of the issued and paid-up share capital of the respective subsidiaries as at 31 December 2012 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

26. 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 apply:
 - (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).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

26. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

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 at rates and terms agreed between the parties:

	Company	
	2012	2011
	\$	\$
<i>Continuing operations</i>		
Advances to subsidiaries from the Company	3,200,000	3,580,000
Advances from subsidiaries to the Company	4,750,000	5,680,000
Receipts on behalf of subsidiaries by the Company	456,556	85,213
Settlement of liabilities on behalf of the Company by subsidiaries	201,164	149,049
Settlement of liabilities on behalf of subsidiaries by the Company	840,647	646,344
Royalty fees charged to subsidiaries	613,700	593,751
Sales of foodstuff to subsidiaries by the Company	–	1,097,050
Purchase of foodstuff from subsidiaries	134,185	31,734
Dividends received from subsidiaries	–	2,356,250
Management fees charged to subsidiaries	1,266,991	1,253,000
Secretarial fees charged to a subsidiary	240	960
<i>Discontinued operation</i>		
Management fees charged by the Company	290,332	540,000
Payment on behalf of subsidiary by the Company	95,872	–
Sales of foodstuff to subsidiary by the Company	–	58,587
Purchase of foodstuff from subsidiary	–	3,100

Compensation of key management personnel

Key management personnel are directors and those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly.

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

	Group		Company	
	2012	2011	2012	2011
	\$	\$	\$	\$
Directors' fees	83,334	153,082	83,334	113,082
Short-term employment benefits	1,584,737	1,080,709	1,540,502	1,080,709
Post-employment benefits	78,821	68,521	74,221	68,521
	1,746,892	1,302,312	1,698,057	1,262,312

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

26. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

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

	Group		Company	
	2012 \$	2011 \$	2012 \$	2011 \$
<i>Continuing operations</i>				
<i>Directors of the Company</i>				
Directors' fee	83,334	148,082	83,334	113,082
Short-term employment benefits	1,230,800	738,727	1,230,800	738,727
Post-employment benefits	31,800	20,676	31,800	20,676
	1,345,934	907,485	1,345,934	872,485
<i>Director of a subsidiary</i>				
Short-term employment benefits	44,235	–	–	–
Post-employment benefits	4,600	–	–	–
	48,835	–	–	–
	1,394,769	907,485	1,345,934	872,485
<i>Discontinued operation</i>				
<i>Director of a subsidiary</i>				
Directors' fee	–	5,000	–	–

27. 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 which commenced in November 2011 and is insignificant to the Group segment results, accordingly, no business and geographical segment information are presented during the financial year.

28. FINANCIAL INSTRUMENTS AND FINANCIAL RISK

The Group's and the Company's activities expose them to credit risk, market 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 2012

28. FINANCIAL INSTRUMENTS AND FINANCIAL RISK (CONTINUED)

28.1 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 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 2012 \$	Impairment 2012 \$	Gross receivables 2011 \$	Impairment 2011 \$
Group				
Not past due	286,993	–	532,815	–
Past due 0 to 3 months	48,159	–	96,305	–
	335,152	–	629,120	–
Company				
Not past due	12,880	–	29,108	–
Past due 0 to 3 months	–	–	21,400	–
	12,880	–	50,508	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

28. FINANCIAL INSTRUMENTS AND FINANCIAL RISK (CONTINUED)

28.1 Credit risk (Continued)

The age analysis of other receivables is as follows:

	Gross receivables 2012 \$	Impairment 2012 \$	Gross receivables 2011 \$	Impairment 2011 \$
Group				
Not past due	11,828	–	68,345	–
Past due 0 to 3 months	22,935	–	37,709	–
Past due more than 3 months	86,468	–	–	–
	121,231	–	106,054	–
Company				
Not past due	–	–	62,866	–
Past due 0 to 3 months	–	–	27,745	–
Past due more than 3 months	84,468	–	–	–
	84,468	–	90,611	–

The amounts due from subsidiaries as disclosed in Note 8 are repayable on demand. The impairment amounts of \$2,041,287 (2011: \$1,208,824) 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.

28.2 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 was prepared by the management.

28.3 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 2012

29. 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 trade and other payables, 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 2011.

The Group and the Company are not subject to any externally imposed capital requirements for the financial years ended 31 December 2012 and 2011.

30. FAIR VALUE

The carrying amounts of cash and cash equivalents, current 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 2013

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 999	6	0.31	979	0.00
1,000 - 10,000	1,340	70.05	5,771,424	1.93
10,001 - 1,000,000	549	28.70	50,155,447	16.80
1,000,001 AND ABOVE	18	0.94	242,572,150	81.27
TOTAL	1,913	100.00	298,500,000	100.00

TWENTY LARGEST SHAREHOLDERS

	NAME	NO. OF SHARES	%
1	MOK YIP PENG	65,543,600	21.96
2	WONG CHI KEONG	48,952,300	16.40
3	WONG WEI TECK	41,091,900	13.77
4	MAYBANK NOMINEES (S) PTE LTD	30,223,000	10.12
5	AMFRASER SECURITIES PTE. LTD.	14,003,000	4.69
6	DBS NOMINEES PTE LTD	10,078,860	3.38
7	28 HOLDINGS PTE. LTD.	10,000,000	3.35
8	CHI QIYUAN DOUGLAS	4,100,000	1.37
9	LEE IN CHUN	3,943,000	1.32
10	HSBC (SINGAPORE) NOMINEES PTE LTD	2,852,500	0.96
11	GOH LI-SHING ARLENE (WU LIXIN ARLENE)	2,800,000	0.94
12	UNITED OVERSEAS BANK NOMINEES PTE LTD	1,998,000	0.67
13	OCBC SECURITIES PTE LTD	1,476,990	0.49
14	CHEONG LOO KHENG	1,240,000	0.42
15	YIT TENG YUET	1,140,000	0.38
16	PHILLIP SECURITIES PTE LTD	1,088,000	0.36
17	RAFFLES NOMINEES (PTE) LIMITED	1,028,000	0.34
18	TAN KIM SENG	1,013,000	0.34
19	LEE CHEE MENG	1,000,000	0.34
20	THEN FENG (DENG FENG)	1,000,000	0.34
	TOTAL	244,572,150	81.94

STATISTICS OF SHAREHOLDINGS

AS AT 22 MARCH 2013

SUBSTANTIAL SHAREHOLDERS AS AT 22 MARCH 2013

(as recorded in the Register of Substantial Shareholders)

Name	Direct Interest	%	Deemed Interest	%
Mok Yip Peng	65,543,600	21.96	-	
Wong Wei Teck	41,091,900	13.77	-	
Wong Chi Keong	48,952,300	16.40	-	
Then Khek Koon	-	-	28,945,000	9.70
28 Holdings Pte Ltd	10,000,000	3.35	14,000,000	4.69
Goh Khoon Lim ⁽¹⁾	98,000	0.03	24,000,000	8.04
Gan Suat Lui ⁽²⁾	-	-	24,000,000	8.04

Notes:

- (1) By virtue of Section 7 of the Companies Act, Cap. 50 of Singapore, Goh Khoon Lim is deemed to have an interest in 24,000,000 shares held by 28 Holdings Pte Ltd ("28 Holdings").
- (2) By virtue of Section 7 of the Companies Act, Cap. 50 of Singapore, Gan Suat Lui is deemed to have an interest in 24,000,000 shares held by 28 Holdings.

SHAREHOLDINGS HELD IN HANDS OF PUBLIC

Based on the information available to the Company, approximately 29.7% 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 Monday, 29 April 2013 at 9.00 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors’ Report and the Audited Accounts of the Company for the year ended 31 December 2012 together with the Auditors’ Report thereon.

(Resolution 1)

2. To declare a one-tier tax-exempt final dividend of 0.35 cent per share for the year ended 31 December 2012 (2011: 0.175 cent per ordinary share).

(Resolution 2)

3. To declare a one-tier tax-exempt special dividend of 0.80 cent per share for the year ended 31 December 2012 (2011: Nil).

(Resolution 3)

4. To re-elect the following Directors of the Company retiring pursuant to Article 107 of the Articles of Association of the Company:

Mr Then Khek Koon

(Resolution 4)

Mr Saw Meng Tee

(Resolution 5)

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

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

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.

(Resolution 6)

6. To approve the payment of Directors’ fees of S\$83,334 for the year ended 31 December 2012 (2011: S\$113,082).

(Resolution 7)

7. To re-appoint BDO LLP as the Auditors of the Company and to authorise the Directors of the Company to fix their remuneration.

(Resolution 8)

8. 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

9. 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 9)

By Order of the Board

Toh Yen Sang
Secretary
Singapore, 12 April 2013

Explanatory Notes:

- (i) The effect of the Ordinary Resolution 6 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 9 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)

PROXY FORM

(Please see notes overleaf before completing this Form)

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.

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 Monday, 29 April 2013 at 9.00 a.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her discretion. The authority herein includes the right to demand or to join in demanding a poll and to vote on a poll.

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

No.	Resolutions relating to:	For	Against
1	Directors' Report and Audited Accounts for the year ended 31 December 2012		
2	Payment of proposed one-tier tax-exempt final dividend		
3	Payment of proposed one-tier tax-exempt special dividend		
4	Re-election of Mr Then Khek Koon as a Director		
5	Re-election of Mr Saw Meng Tee as a Director		
6	Re-appointment of Professor Cham Tao Soon as a Director		
7	Approval of Directors' fees amounting to S\$83,334		
8	Re-appointment of BDO LLP as Auditors		
9	Authority to issue shares		

Dated this _____ day of _____ 2013

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

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

* Delete where inapplicable



Notes:

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.
2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.
3. Where a member appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.
4. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.
5. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 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