



Soup Restaurant Group Limited

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

RESPONSE TO QUERIES FROM SHAREHOLDERS ON THE ANNUAL REPORT

The Board of Directors (the “**Board**” or “**Directors**”) of Soup Restaurant Group Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) refers to the queries raised by the shareholders of the Company in relation to the Group’s Annual Report for the financial year ended 31 December 2020 (“**FY2020**”) and appends the replies as follows:

Question 1

Business performance and outlook

- (i) Based on recent months, what is the estimate of current revenue, as a percentage of pre-Covid level?
- (ii) Of the Company’s various food outlets, which and how many of them are still closed as a result of Covid-19? Or have all our food outlets now reopened for business?

Company’s response

- (i) The current revenue has steadily recovered to approximately between 70% - 90%. Generally, the recovery rate for outlets in heartland malls is better than those in the city and tourist areas.
- (ii) Only one Soup Restaurant outlet at Changi Airport Terminal 1 is temporarily closed due to Covid-19.

Question 2

Cost control

Did the Company implement any cost-cutting/cost control measures during last year’s pandemic? If so, can the Company elaborate what cost-cutting/cost control measures were instituted during last year’s pandemic?

Company’s response

The Group implemented several cost-cutting and cost control measures in FY2020, including:

- (i) Implementing a recruitment freeze across the Group;
- (ii) Implementing allowance cuts for all levels of employees in the Group;
- (iii) Clearing of annual leave for all levels of employees in the Group;
- (iv) Reducing the number of casual workers; and
- (v) Reducing the scope or terminating the services of external service providers.

In addition, the Group’s executive directors took voluntary pay cuts at the onset of the Covid-19 pandemic to ensure that the salaries of all our staff can be sustained at the same levels without any cuts.

Question 3

Wage support/Rental Relief

- (i) Is the Company still receiving wage support from the Government? If so, how much and until when?
- (ii) Is the Company still receiving rental relief from the Landlord? If so, how much and until when?

Company's response

- (i) The Government announced in its Budget Statement in March that the support for local employees under the Jobs Support Scheme will continue until September this year at the prescribed tiers for different industries. The Group continues to receive a 10% co-funding wage support on the first \$4,600 of gross monthly wages for its local employees.
- (ii) For affected outlets, the Company is still receiving some rental relief in various forms and the Group continues to engage its landlords on further reliefs, including negotiating a restructure of its existing leases.

Question 4

Re-election of Prof Cham Tao Soon

I note that Prof Cham Tao Soon is 80 years old and has served in the Board for many years. Due to his long service, he is subject to two-tier voting. I think Prof Cham Tao Soon has served the Board commendably and is deserving of re-election. However, his age is not young and shareholders are not able to see and meet him physically during the AGM (given the virtual format), hence I would like to ask:

- (i) How is the health and fitness level (especially mental fitness) of Prof Cham Tao Soon?
- (ii) Is he able to carry out his duties as an ID of the Company at his current age?

Company's response

- (i) Prof Cham Tao Soon continues to be active physically and mentally, without any impediment to his fitness. He continues to be actively engaged in various appointments as set out on page 11 of the Annual Report.
- (ii) The Nominating Committee, with Prof Cham abstaining, is of the view that Prof Cham Tao Soon continues to discharge his duties and responsibilities as the Non-Executive Chairman and Independent Director of the Group ably and commendably.

Question 5

Financial performance/Remuneration/ESG

I note in FY2020, the Company's revenue suffered a steep decline from \$43 million to \$31 million. However, profit rose slightly from 761k to 867k. Digging further, it appears that the Company had enjoyed significant "other income":

"Other income increased by \$5.2 million or 545.4% mainly related to payouts received as wage support for local employees under the Jobs Support Scheme and levy rebates to support firms as well as the rental rebates received from Landlords under the Rental Relief Framework legislated by the government under the Covid-19 (Temporary Measures) Act 2020."

This other income (comprising wage support and rental rebates) helped the Company increase its profit slightly (by around \$100k). If we were to subtract away this "artificial" other income, the Company would be deep in the red.

Whilst I am heartened that dividends were maintained and director fees remained at \$160k, I am disappointed that remuneration for several directors were increased.

Mr Wong Wei Teck's remuneration increased from \$338k to \$346k;

Mr Wong Chi Keong's remuneration increased from \$282k to \$290k;

Mr Then Khek Koon's remuneration increased from \$314k to \$338k; and

Mr Tan Choon Seng's remuneration from increased from \$30k to \$40k.

Of note, Mr Wong Wei Teck, Mr Wong Chi Keong, Mr Then Khek Koon received a nice bonus amounting to 9% of their remuneration.

I think the Company, in particular the Remuneration Committee, should be circumspect and evaluate if the increase in remuneration for senior management is justified or otherwise. The Company was able to increase its profit slightly due to generous government wage subsidies and rental rebates. These government subsidies are ultimately paid for by taxpayers.

- (i) Should the generous subsidies mandated and given by the government (and funded by taxpayers) to support business amidst the pandemic be utilised to increase the salaries of our top executives? Ultimately, this is also part of ESG, whereby companies should be responsible to the taxpayers, and by extension, the community.
- (ii) Would the Remuneration Committee please justify why the remuneration for key executives have increased when the slight increase in profit seen came on the back of generous (and artificial) wage subsidies and rental rebates? (and if not for these wage subsidies and rental rebates, the Company would be reporting a sizeable loss).
- (iii) Does the Board think that increasing the remuneration of these key executives would be in line with ESG principles, such as being responsible to the taxpayers/community (who funded the generous wage subsidies and rental rebates received by the Company)?

Company's response

The executive directors' remuneration is based on contractual clauses in service agreements signed by the Company, with the prevailing service agreements signed in May 2019, prior to the onset of Covid-19. The net increase reflected in the total remuneration of the executive directors is mainly due to the terms of the service agreements signed in May 2019.

In FY2019, the Remuneration Committee approved the contractual remuneration of the executive directors less a total of \$57k from their pay packages as the executive directors had voluntarily waived their entitlements to the contractual annual bonus for the year FY2019.

In FY2020, the Remuneration Committee approved the contractual remuneration of the executive directors less a total of \$75k or 9% as the executive directors took voluntary pay cuts, due to Covid-19, to ensure that the salaries of all our staff could be sustained at the same levels without any cuts.

In both FY2019 and FY2020, the executive directors' actual remuneration was less than what was contractually provided for in their service agreements.

In respect of the independent director's remuneration, the annual fee of \$40,000 was pro-rated from the director's date of appointment for FY2019.

The Group remains committed to its vision of “百年三盅 – 百年精神，造福人群 – Sustainable Business For Good”. Despite the challenges of Covid-19 in FY2020, the Group persisted with our sustainability strategy to enhance organisational resilience and is fortunate to be able to maintain our performance to deliver consistent results for all our stakeholders, including our shareholders.

BY ORDER OF THE BOARD

Chong In Bee
Company Secretary
27 April 2021