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 2021 ("**FY2021**") and appends the replies as follows:

Question 1

Please refer to page 97 of the Annual Report about "Segment information". For "Operation of restaurants" segment, since the relaxation of Covid-19 rules with effect from 29 March 2022, how has the recovery been compared to pre-Covid level (i.e. 2019)?

Company's response

The current revenue has steadily recovered to approximately 100% as compared to pre-Covid period with the growth of online sales.

Question 2

Please refer to page 19 of the Annual Report about "Our brands". Under "Cafe O" sub-header, I understand that Cafe O is "Halal certified". A number of SGX-listed F&B companies have expanded their halal concepts. Can the Board and Management share whether the Group is planning on expanding its halal and/or vegetarian concepts?

Company's response

Yes. We are strengthening and improving our Cafe O brand and planning to expand it with more outlets including the possibilities of franchise arrangement.

Question 3

Please refer to page 4 of the Annual Report about "Chairman's message". In the 3rd paragraph, it was stated that "While the growth of orders through various online delivery platforms has helped to cushion the decrease in dine-in sales, we remain cautious on the new challenges and the emerging delivery battlegrounds". How many % of total revenue came from online delivery platforms in 2021?

Company's response

Online sales contributed approximately 35% of total revenue of operation of restaurants in FY2021.

Question 4

Please refer to page 90 of the Annual Report about "Revenue". For Malaysia segment, do the Board and Management have any plans to expand beyond its only one outlet at 1 Utama Shopping Centre?

Company's response

Yes. The Management continues to review the opportunities of business expansion in Malaysia while evaluate the risks with the current challenges.

Question 5

Please refer to page 15 of the Annual Report about "Operating and financial review". Under the "Purchases and other consumables" sub-header, it was stated that "Purchases and other consumables were maintained at approximately 23.0% of revenue". How has food cost inflation impacted the Group so far?

Company's response

The impact of food cost inflation is under control and managed through alternative sourcing of raw materials and bulk purchasing by the Group's procurement arm.

Question 6

Please refer to page 80 of the Annual Report about "Right-of-use assets". It was stated that "During the financial year ended 31 December 2021 and 2020, certain outlets of the Group incurred losses. Following the impairment assessment, there were three (2020: three) CGUs having right-of-use assets that are not expected to generate sufficient cash flows in comparison to their carrying amounts". What were these 3 CGUs over the past two years? Apart from providing for impairment loss, what have the Board and Management planned to do about these 3 CGUs operationally?

Company's response

The CGUs were mainly related to those outlets in the city and tourist areas most impacted by Covid-19, including Soup Restaurant outlets at Changi Airport Terminal 1, Jewel Changi Airport and Suntec City.

The Group is taking the opportunity to consolidate and streamline our brands including carried out an evaluation of under-performing outlets, retaining and re-focusing those with the potential to turnaround and exiting those which are no longer in line with the Group's targets.

Question 7

Please refer to page 102 of the Annual Report about "Contingent liabilities". It was stated that "At the end of the financial year, certain subsidiaries had deficiencies in shareholders' fund aggregating $1,496,962 (2020: $990,232)". What were these "certain subsidiaries"? Apart from providing "financial support", what have the Board and Management planned to do about these "certain subsidiaries" operationally?

Company's response

Three subsidiaries which had deficiencies in shareholders' fund are Pot Luck F&B Singapore Pte. Ltd., Cafe O Singapore Pte. Ltd. and SRG F&B Malaysia Sdn. Bhd. These subsidiaries were related to the outlets most impacted by COVID-19. The Board and Management have plan to simplify the Group's structure to streamline operations and reduce operating costs.

Question 8

Please refer to page 91 of the Annual Report about "Profit before income tax". May I ask the Audit Committee what was the nature of the $12,841 "Bad debts written off" in 2021?

Company's response

The bad debts written off is in respect of compensation for notice period not served by certain ex-employees for the past three years.

Question 9

Please refer to page 97 of the Annual Report about "Capital expenditure". How will the "capital expenditure" trend be like over the next 2-3 years? How will they be funded?

Company's response

Capital expenditures on plant and equipment and intangible assets for the next 2-3 years would likely to be similar with pre-covid year 2019 as the Group prepares to improve its facilities to facilitate the business expansion. It is mainly funded through operating funds and tapping on available government grants.

Capital expenditures on right-of-use assets are recognised in accordance with SFRS (I) 16 Leases which are non-cash in nature.

Question 10

It is written in the Chairman's statement that "the Company had applied for a change in its name to *"Soup Holdings Limited" to signify the Group's determination to expand our businesses to more than just restaurant business".* Please indicate what businesses and/or sectors the Company intends to expand to? And why?

Company's response

As stated in the Company's Circular to Shareholders dated 6 April 2022, the Company through the years has already expanded its business into other areas in addition to the "Soup Restaurant" food and beverage business, such as the distribution of sauces, central kitchen operations and a social enterprise. The proposed change of name is to reflect the current business activities and the Company's strategic directions more accurately.

Question 11

i) I would like to caution the Company about diversification. Please clearly explain the rationale for *expanding our businesses to more than just restaurant business.* What level of due diligence was conducted before making the decision to expand beyond restaurants? What competitive advantage and know-how does the company have to navigate other businesses?

ii) With the rising inflation and cost of goods such as energy, oil, gas, food etc., how does the Company manage its costs, so as to still be able to earn a reasonable rate of return for the Company and shareholders?

Company's response

As mentioned in the Chairman's message, the pandemic has changed the traditional way to operate food and beverage business and the costs are on the rise for businesses. The Group had recognised that market trends and customers' dining behaviour had changed way back in 2018 and started to expand to related food business such as the distribution of sauce and supply of ready meals through the central kitchens, and not solely restricted to the restaurant business. The Group strives to earn a reasonable rate of return for the Company and shareholders through its expansion plan. Nevertheless, the Group will continue to manage the risks and expectations to ensure the Group stays competitive.

Question 12

Is the reopening of the borders a positive or negative for the Company? Will the Company's workers leave Singapore resulting in a shortage of workers? Or will more workers be able to come and increase the manpower available? Is it a boon or a bane? Please elaborate. Is the Company seeing a net inflow or outflow of workers given the reopening of the borders?

Company's response

Labour crunch has been a long-term issue in Singapore, especially for food and beverage business even before the pandemic ever since the strict quota imposed on the hiring of foreigners. To retain employees, the Group strives to:-

i) improve working culture and environment, remuneration packages and employee benefits;
ii) invest in employees through training and development of clear career paths;
iii) attract new talent by offering both traineeships and internships to students from institutions including Institute of Technical Education, which we had offered since 2018; and
iv) conduct a series of training sessions under the Job Redesign Place-and-Train Programme to cross-train our kitchen and service staff for interchangeable roles and greater job flexibility.

The Group welcomes the reopening of the borders as it will allow better workforces for all businesses.

BY ORDER OF THE BOARD

Chong In Bee
Company Secretary
22 April 2022