



Soup Restaurant Group Limited

UEN 199103597Z

FOURTH QUARTER AND FULL YEAR FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

PART I – INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

1(a)(i) A statement of comprehensive income for the group together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group			Group		
	4th Quarter ended 31 December 2016		Increase/ (Decrease) %	Financial year ended 31 December 2016		Increase/ (Decrease) %
	2015 SS'000	2015 SS'000		2016 SS'000	2015 SS'000	
Revenue	10,190	10,213	(0.2)	38,353	40,956	(6.4)
<i>Other Items of income</i>						
Interest income	7	7	-	31	21	47.6
Other income	106	78	35.9	639	627	1.9
<i>Items of expense</i>						
Changes in inventories	(33)	26	N.M.	(21)	40	N.M.
Purchases and other consumables	(2,267)	(2,341)	(3.2)	(8,711)	(9,436)	(7.7)
Employee benefits expense	(3,412)	(3,649)	(6.5)	(13,547)	(15,073)	(10.1)
Depreciation and amortisation expenses	(431)	(429)	0.5	(1,603)	(1,714)	(6.5)
Other expenses	(3,825)	(3,305)	15.7	(14,074)	(14,291)	(1.5)
Finance costs	(6)	(10)	(40.0)	(6)	(10)	(40.0)
Profit before income tax	329	590	(44.2)	1,061	1,120	(5.3)
Income tax credit/(expense)	79	(25)	N.M.	(63)	(153)	(58.8)
Profit for the financial period/year attributable to owners of the Company	408	565	(27.8)	998	967	3.2
Other comprehensive income:						
<i>Items that may be reclassified subsequently to profit or loss:</i>						
Exchange difference on translating foreign operation	10	(6)	N.M.	10	10	-
Other comprehensive income for the financial period/year	10	(6)	N.M.	10	10	-
Total comprehensive income for the financial period/year attributable to owners of the Company	418	559	(25.2)	1,008	977	3.2

N.M. – Not meaningful

1(a)(ii) Notes to Consolidated Statement of Comprehensive Income

Profit before income tax for the financial period/year is arrived at after charging/(crediting) the following:-

	Group			Group		
	4th Quarter ended		Increase / (Decrease) %	31 December		Increase / (Decrease) %
	2016	2015		2016	2015	
	S\$'000	S\$'000		S\$'000	S\$'000	
Advertising expense	81	67	20.9	248	388	(36.1)
Cleaning services	253	195	29.7	863	810	6.5
Credit card commission charges	103	100	3.0	386	398	(3.0)
Foreign exchange loss/(gain), net	14	(17)	N.M.	13	78	(83.3)
Government grant	(56)	(32)	75.0	(494)	(513)	(3.7)
Loss on disposal of fixed assets	4	-	100.0	4	-	100.0
Impairment loss on plant and equipment	83	167	(50.3)	83	167	(50.3)
Operating lease expenses	2,301	2,057	11.9	8,321	8,227	1.1
Over provision of tax expense in respect of prior years	(45)	(51)	(11.8)	(45)	(51)	(11.8)
Plant and equipment written off	11	32	(65.6)	84	37	127.0
Professional fees	(39)	(283)	(86.2)	86	97	(11.3)
Repair and maintenance	129	132	(2.3)	483	407	18.7
Utilities	450	456	(1.3)	1,685	1,940	(13.1)

1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

	Group		Company	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
	S\$'000	S\$'000	S\$'000	S\$'000
Non-current assets				
Plant and equipment	3,551	2,905	65	132
Investments in subsidiaries	-	-	1,600	1,600
Intangible assets	58	87	25	68
	3,609	2,992	1,690	1,800
Current assets				
Inventories	183	204	-	-
Trade and other receivables	3,510	4,291	3,174	2,855
Current income tax recoverable	5	5	-	-
Cash and cash equivalents	7,622	8,319	4,203	5,647
	11,320	12,819	7,377	8,502
<i>Less:</i>				
Current liabilities				
Finance lease payable	5	-	-	-
Trade and other payables	4,429	4,425	577	813
Provisions	1,042	698	40	40
Current income tax payable	118	112	16	27
	5,594	5,235	633	880
Net current assets	5,726	7,584	6,744	7,622
Non-current liabilities				
Finance lease payable	22	-	-	-
Deferred tax liabilities	240	280	12	20
	262	280	12	20
Net assets	9,073	10,296	8,422	9,402
Equity				
Share capital	6,593	6,593	6,593	6,593
Treasury shares	(3,939)	(3,328)	(3,939)	(3,328)
Translation reserve	16	6	-	-
Accumulated profits	6,403	7,025	5,768	6,137
Total equity	9,073	10,296	8,422	9,402

1(b)(ii) Aggregate amount of group's borrowings and debt securities.

	31.12.2016	31.12.2015
	S\$'000	S\$'000
Finance lease payable		
- Repayable within 1 year	5	-
- Repayable after 1 year	22	-

Details of collateral:

The finance lease liability of the Group is secured by the rights to the leased printers.

1(c) A statement of cash flows for the group, together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group		Group	
	4th Quarter ended 31 December		Financial year ended 31 December	
	2016	2015	2016	2015
	S\$'000	S\$'000	S\$'000	S\$'000
Cash flows from operating activities				
Profit before income tax	329	590	1,061	1,120
<i>Adjustments for:</i>				
Amortisation of intangible assets	9	18	60	70
Amortisation of discount on provision	6	10	6	10
Depreciation of plant and equipment	422	411	1,543	1,644
Impairment loss on plant and equipment	83	167	83	167
Interest income	(7)	(7)	(31)	(21)
Loss on disposal of plant and equipment	-	-	4	-
Plant and equipment written off	11	32	84	37
Provision for unutilised annual leave	(7)	33	(7)	33
Unrealised foreign exchange loss	12	(9)	10	51
Operating cash flow before working capital changes	858	1,245	2,813	3,111
<i>Working capital changes:</i>				
Inventories	33	(26)	21	(40)
Trade and other receivables	546	145	781	(77)
Trade and other payables	(124)	(15)	(868)	(138)
Cash generated from operations	1,313	1,349	2,747	2,856
Income taxes paid	60	(2)	(98)	(61)
Interest received	7	7	31	21
Net cash from operating activities	1,380	1,354	2,680	2,816
Cash flows from investing activities				
Proceeds from disposal of plant and equipment	-	-	3	-
Purchase of plant and equipment	(78)	(330)	(1,119)	(951)
Purchase of intangible assets	(6)	(10)	(29)	(22)
Net cash used in investing activities	(84)	(340)	(1,145)	(973)
Cash flows from financing activities				
Dividends paid	(700)	-	(1,620)	(2,142)
Purchase of treasury shares	-	(73)	(611)	(507)
Repayment of finance lease payable	(1)	-	(1)	-
Net cash used in financing activities	(701)	(73)	(2,232)	(2,649)
Net change in cash and cash equivalents	595	941	(697)	(806)
Cash and cash equivalents at the beginning of the financial period/year	7,027	7,378	8,319	9,125
Cash and cash equivalents at the end of the financial period/year	7,622	8,319	7,622	8,319

1(d)(i) A statement for the issuer and group showing all changes in equity, together with a comparative statement for the corresponding period of the immediately preceding financial year.

Group	Share capital S\$'000	Treasury shares S\$'000	Translation reserve S\$'000	Accumulated profits S\$'000	Total equity S\$'000
Balance as at 01.01.2016	6,593	(3,328)	6	7,025	10,296
Profit for the financial year	-	-	-	998	998
<u>Other comprehensive income for the financial year</u>					
Exchange difference on translating foreign operation	-	-	10	-	10
Total comprehensive income for the financial year	-	-	10	998	1,008
<u>Distributions to owners</u>					
Dividends	-	-	-	(1,620)	(1,620)
Purchase of treasury shares	-	(611)	-	-	(611)
	-	(611)	-	(1,620)	(2,231)
Balance as at 31.12.2016	6,593	(3,939)	16	6,403	9,073
Balance as at 01.01.2015	6,593	(2,821)	(4)	8,200	11,968
Profit for the financial year	-	-	-	967	967
<u>Other comprehensive income for the financial year</u>					
Exchange difference on translating foreign operation	-	-	10	-	10
Total comprehensive income for the financial year	-	-	10	967	977
<u>Distributions to owners</u>					
Dividends	-	-	-	(2,142)	(2,142)
Purchase of treasury shares	-	(507)	-	-	(507)
	-	(507)	-	(2,142)	(2,649)
Balance as at 31.12.2015	6,593	(3,328)	6	7,025	10,296

1(d)(i)

Company	Share capital S\$'000	Treasury shares S\$'000	Accumulated profits S\$'000	Total equity S\$'000
Balance as at 01.01.2016	6,593	(3,328)	6,137	9,402
Profit for the financial year, representing total comprehensive income for the financial year	-	-	1,251	1,251
<u>Distributions to owners</u>				
Dividends	-	-	(1,620)	(1,620)
Purchase of treasury shares	-	(611)	-	(611)
	-	(611)	(1,620)	(2,231)
Balance as at 31.12.2016	6,593	(3,939)	5,768	8,422
Balance as at 01.01.2015	6,593	(2,821)	5,787	9,559
Profit for the financial year, representing total comprehensive income for the financial year	-	-	2,492	2,492
<u>Distribution to owners</u>				
Dividends	-	-	(2,142)	(2,142)
Purchase of treasury shares	-	(507)	-	(507)
	-	(507)	(2,142)	(2,649)
Balance as at 31.12.2015	6,593	(3,328)	6,137	9,402

- 1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of share that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

Treasury Shares

	Number of shares			
	4th Quarter ended 31 December		Financial year ended 31 December	
	2016	2015	2016	2015
Balance as at the beginning of the financial period/year	18,387,100	14,977,200	15,368,200	12,853,000
Purchased during the financial period/year	-	391,000	3,018,900	2,515,200
Balance as at the end of the financial period/year	<u>18,387,100</u>	<u>15,368,200</u>	<u>18,387,100</u>	<u>15,368,200</u>

During the financial year ended 31 December 2016, the Company purchased a total of 3,018,900 (31 December 2015: 2,515,200) of its ordinary shares by way of on-market purchase for a total consideration of \$0.6 million (31 December 2015: \$0.5 million). These shares were held as treasury shares and were recorded separately in shareholders' equity.

There is no change in the issued and paid up capital of the Company during the financial period/year.

- 1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.**

	Number of shares	
	As at 31.12.2016	31.12.2015
Total number of issued shares	298,500,000	298,500,000
Less: Treasury shares	(18,387,100)	(15,368,200)
Total number of issued shares, excluding treasury shares	<u>280,112,900</u>	<u>283,131,800</u>

- 1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.**

There were no sales, transfers, disposal, cancellation and/or use of treasury shares during the current financial period reported on.

- 2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.**

The figures have not been audited or reviewed by the Company's auditors.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

The Group and the Company have applied the same accounting policies and methods of computation in the preparation of the financial statements for the current financial period/year compared with the most recently audited financial statements for the financial year ended 31 December 2015, except for the adoption of all the new and revised Financial Reporting Standards ("FRS") and Interpretations to FRS ("INT FRS") that are relevant to its operations and effective for annual period beginning on 1 January 2015. The adoption of these new and revised FRS and INT FRS did not result in changes to the Group's and the Company's accounting policies.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

Not applicable.

6. Earnings per ordinary share of the Group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

	Group		Group	
	4th Quarter ended 31 December		Financial year ended 31 December	
	2016	2015	2016	2015
(a) Basic earnings per share	0.15 cents	0.20 cents	0.35 cents	0.34 cents
(b) Diluted earnings per share	0.15 cents	0.20 cents	0.35 cents	0.34 cents
(i) Weighted average number of ordinary shares	280,112,900	283,505,800	281,920,075	284,825,850
(ii) Adjusted weighted average number of ordinary shares	280,112,900	283,505,800	281,920,075	284,825,850

7. Net asset value for the issuer and group per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:-

- (a) current financial period reported on; and
(b) immediately preceding financial year.**

	Group		Company	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Net asset value per ordinary share based on the total number of issued shares excluding treasury shares at the end of the financial period reported on	3.24 cents	3.64 cents	3.01 cents	3.32 cents
Total number of issued shares excluding treasury shares at the end of the financial period reported on	280,112,900	283,131,800	280,112,900	283,131,800

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-

- (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and**

The Group's revenue for the financial year ended 31 December 2016 ("FY2016") was \$38.4 million, a decrease of \$2.6 million or 6.4% as compared to \$41.0 million for the financial year ended 31 December 2015 ("FY2015"). This was mainly due to the loss of revenue of \$4.6 million from the closure of three outlets. Nevertheless, the revenue from existing and five additional new outlets (opened in the last two quarters) increased by \$1.9 million. Revenue for the food processing, distribution and procurement services segment has also increased by \$0.1 million or 9.0%.

Other income is maintained at \$0.6 million. The increase in the sponsorship income of \$0.1 million was offset by a decrease in franchise fees and government grants received.

Purchases and other consumables were maintained at approximately 23.0% of revenue, similar to FY2015.

Employee benefits expenses decreased by \$1.5 million or 10.1% to \$13.5 million in FY2016 due mainly to closure of the three outlets and a reduction in headcount and related staff costs for existing outlets of approximately \$2.2 million, offset by an increase in employee benefits expenses for the five new outlets.

Other expenses decreased by \$0.2 million or 1.5% in FY2016 mainly due to a net decrease in operating expenses of \$0.4 million as a result of closure of the three outlets and opening of five new outlets, a decrease of \$0.3 million in impairment loss on plant and equipment, advertising costs and utilities. This was partially offset by an increase in contract workers and operating lease expenses of \$0.2 million as well as one-off and pre-operating expenses of \$0.3 million for the opening and closure of outlets.

As a result, the profit before income tax decreased by \$0.1 million or 5.3% in FY2016 as compared to FY2015. Earnings per share stood at 0.35 cents in FY2016.

(b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

Non-current assets increased by \$0.6 million from \$3.0 million, as at 31 December 2015 (“FY2015”), to \$3.6 million as at 31 December 2016 (“FY2016”), mainly due to additions of plant and equipment of \$2.3 million, offset by depreciation expense of \$1.5 million as well as impairment and plant and equipment written off of \$0.2 million.

Current assets decreased by \$1.5 million as compared to FY2015 mainly due to a decrease in cash and cash equivalents of \$0.7 million and trade and other receivables of \$0.8 million. The decrease in cash and cash equivalents was attributable mainly to purchases of plant and equipment of \$1.1 million, payment of dividend of \$1.6 million and purchases of treasury shares of \$0.6 million, offset by net cash from operating activities. Trade and other receivables decreased by \$0.8 million mainly due to the utilisation of bank guarantees for security deposits.

Current liabilities increased by \$0.4 million mainly due to an increase in trade and other payables of \$0.3 million as a result of provision for reinstatement costs for new and existing outlets.

Total equity decreased by \$1.2 million from \$10.3 million, as at FY2015, to \$9.1 million as at FY2016, attributable mainly to payment of final dividend of \$1.6 million and purchases of treasury shares of \$0.6 million, offset by profit reported during the financial year. The Group’s net asset value per share stood at 3.24 cents as at FY2016.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

No forecast or prospect statement has been previously disclosed to shareholders.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

The Group is exploring new retail concepts and taking the opportunity to consolidate and streamline our brands while looking for prime locations within Singapore and overseas for expansion. As part of the effort, the Group has 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.

At the same time, the Group has plans to increase its central processing resources to increase its distribution capacity, tighten costs control and improve its productivity. The food processing and distribution business remains focused on its core strategies to assist the Group through procurement sourcing and management, as well as widening its distribution networks for its fast-moving consumer goods and ready meals.

11. Dividend.

- (a) current financial period reported on;
any dividend declared for the current financial period reported on?**

Name of dividend	Final
Dividend type	Cash
Dividend per ordinary share	0.25 cent per ordinary share
Tax rate	Tax exempt (one-tier)

- (b) corresponding period of the immediately preceding financial year;
any dividend declared for the corresponding period of the immediately preceding financial year?**

Name of dividend	Final
Dividend type	Cash
Dividend per ordinary share	0.325 cent per ordinary share
Tax rate	Tax exempt (one-tier)

- (c) date payable; and**

The date of payment of the proposed dividend, if approved at the forthcoming Annual General Meeting, will be announced at a later date.

- (d) books closure date.**

The books closure date of the proposed dividend, if approved at the forthcoming Annual General Meeting, will be announced at a later date.

12. If no dividend has been declared/recommended, a statement to that effect.

Not applicable.

13. If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

The Group does not have a general mandate from shareholders for interested person transactions pursuant to Rule 920(1)(a)(ii).

14. Confirmation that the issuer has procured undertakings from all its directors and executive officers under Rule 720(1).

The Company confirmed that it has procured undertakings from all its directors and executive officer under Rule 720(1).

PART II – ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT

15. Segmented revenue and results for business or geographical segments of the group in the form presented in the issuer’s most recently audited annual financial statements, with comparative information for the immediately preceding year.

	Operation of Restaurants		Food Processing, Distribution and Procurement Services		Others		Total	
	FY2016	FY2015	FY2016	FY2015	FY2016	FY2015	FY2016	FY2015
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Total segment revenue	37,047	39,847	9,911	10,900	-	-	46,958	50,747
Inter-segment revenue	(5)	(32)	(8,600)	(9,759)	-	-	(8,605)	(9,791)
Revenue from external customers	37,042	39,815	1,311	1,141	-	-	38,353	40,956
Segment profits/(loss)	992	1,139	271	209	(233)	(249)	1,030	1,099
Depreciation and amortisation	1,431	1,526	172	188	-	-	1,603	1,714
Impairment loss on plant and equipment	83	167	-	-	-	-	83	167
Segment assets/ total assets	12,270	12,979	2,523	2,672	136	160	14,929	15,811
Segment liabilities/ total liabilities	4,323	3,876	1,106	1,214	427	425	5,856	5,515
Capital expenditure of plant and equipment	2,330	880	34	15	-	-	2,364	895
Capital expenditure of intangible assets	29	26	1	4	-	-	30	30

A reconciliation of segment profits to the profit before income tax is as follows:

	Group	
	FY2016 S\$'000	FY2015 S\$'000
Segment profits	1,030	1,099
Interest income	31	21
Profit before income tax	1,061	1,120

16. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.

Business Segment

The Group's principal business is in the operation of restaurants which accounted for 96.6% or \$37.0 million of the Group's revenue in FY2016. The decrease in revenue of \$2.8m for operation of restaurants was mainly due to closure and opening of outlets during the financial year.

Food processing and distribution business accounted for 3.4% or \$1.3 million of the Group's revenue in FY2016. This segment is in line with the Group's strategy to reduce overheads and costs by vertical integration as well as widen the distribution network for its fast-moving consumer goods business.

Others refer to investment holding companies.

Please refer to paragraph 8 for a detailed commentary of the Group's financial performance in FY2016.

Geographical Segments

The Group's operations are mainly located in Singapore except for Malaysia which is considered insignificant in the current and prior financial year.

17. A breakdown of sales.

	Group		
	Financial Year Ended	Financial Year Ended	Increase/
	31.12.2016	31.12.2015	(Decrease)
	S\$'000	S\$'000	%
(a) Sales reported for first half year	19,130	20,596	(7.1)
(b) Operating profit after income tax before deducting minority interests reported for first half year	523	384	36.2
(c) Sales reported for second half year	19,223	20,360	(5.6)
(d) Operating profit after tax before deducting minority interests reported for second half year	475	583	(18.5)

18. **A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year.**

	Total annual dividend	
	Financial Year Ended 31 Dec	
	2016	2015
Ordinary shares	S\$	S\$
Special	700,282	-
Final *	700,282	920,178
Total	<u>1,400,564</u>	<u>920,178</u>

* Proposed final dividend for FY2016 is estimated based on the number of shares (excluding treasury shares) outstanding as at the end of the financial year.

19. **Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704(13). If there are no such persons, the issuer must make an appropriate negative statement.**

There is no person occupying a managerial position in the issuer or any of its principal subsidiaries who is relative of a director or chief executive officer or substantial shareholder.

BY ORDER OF THE BOARD

CHONG IN BEE
Company Secretary
28 February 2017