



Soup Restaurant Group Limited

UEN 199103597Z

THIRD QUARTER FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2018

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		
	3rd Quarter ended 30 September		Increase/ (Decrease) %	9 Months ended 30 September		Increase/ (Decrease) %
2018	2017	2018		2017		
	SS'000	SS'000		SS'000	SS'000	
Revenue	10,987	9,778	12.4	32,608	30,386	7.3
<i>Other items of income</i>						
Interest income	12	7	71.4	29	21	38.1
Other income	120	98	22.4	371	426	(12.9)
<i>Items of expense</i>						
Changes in inventories	(9)	56	N.M.	47	128	N.M.
Purchases and other consumables	(2,338)	(2,154)	8.5	(7,043)	(6,674)	5.5
Employee benefits expense	(3,740)	(3,467)	7.9	(11,167)	(10,935)	2.1
Depreciation and amortisation expenses	(419)	(390)	7.4	(1,224)	(1,152)	6.3
Other expenses	(3,938)	(3,572)	10.2	(11,609)	(10,998)	5.6
Finance costs	-	-	-	(1)	(1)	-
Profit before income tax	675	356	89.6	2,011	1,201	67.4
Income tax expense	(129)	(38)	239.5	(336)	(206)	63.1
Profit for the financial period attributable to owners of the Company	546	318	71.7	1,675	995	68.3
Other comprehensive income:						
<i>Items that may be reclassified subsequently to profit or loss:</i>						
Exchange difference on translating foreign operation	10	(2)	N.M.	(4)	-	N.M.
Other comprehensive income for the financial period	10	(2)	N.M.	(4)	-	N.M.
Total comprehensive income for the financial period attributable to owners of the Company	556	316	75.9	1,671	995	67.9

N.M. – Not meaningful

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

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

	<u>Group</u>			<u>Group</u>		
	<u>3rd Quarter ended</u>		<u>Increase / (Decrease)</u>	<u>9 Months ended</u>		<u>Increase / (Decrease)</u>
	<u>30 September</u>			<u>30 September</u>		
	<u>2018</u>	<u>2017</u>	<u>%</u>	<u>2018</u>	<u>2017</u>	<u>%</u>
	<u>S\$'000</u>	<u>S\$'000</u>		<u>S\$'000</u>	<u>S\$'000</u>	
Advertising expense	29	59	(50.8)	157	224	(29.9)
Cleaning services	291	234	24.4	817	707	15.6
Credit card commission charges	117	105	11.4	352	328	7.3
Foreign exchange loss/(gain), net	(19)	-	100.0	4	4	-
Government grant	(96)	(30)	220.0	(239)	(242)	(1.2)
Loss on disposal of plant and equipment	-	-	-	-	12	(100.0)
Operating lease expenses	2,211	2,186	1.1	6,529	6,598	(1.0)
Packing materials	44	26	69.2	159	79	101.3
Plant and equipment written off	4	20	(80.0)	12	49	(75.5)
Professional fees	22	61	(63.9)	53	149	(64.4)
Repair and maintenance	116	98	18.4	313	257	21.8
Sales Commission	185	8	N.M.	508	23	N.M.
Utilities	534	470	13.6	1,492	1,411	5.7

N.M. – Not meaningful

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	
	30.9.2018	31.12.2017	30.9.2018	31.12.2017
	S\$'000	S\$'000	S\$'000	S\$'000
Non-current assets				
Plant and equipment	3,313	3,630	19	28
Investments in subsidiaries	-	-	1,732	1,732
Intangible assets	112	138	32	38
Other receivables	-	-	643	643
Total non-current assets	3,425	3,768	2,426	2,441
Current assets				
Inventories	361	313	-	-
Trade and other receivables	3,538	3,282	2,348	2,145
Current income tax recoverable	5	4	-	-
Cash and cash equivalents	8,780	8,128	5,318	5,341
Total current assets	12,684	11,727	7,666	7,486
<i>Less:</i>				
Current liabilities				
Trade and other payables	3,891	3,707	376	363
Provisions	1,012	969	40	40
Finance lease payable	5	5	-	-
Current income tax payable	353	233	80	39
Total current liabilities	5,261	4,914	496	442
Net current assets	7,423	6,813	7,170	7,044
<i>Less:</i>				
Non-current liabilities				
Finance lease payable	13	17	-	-
Deferred tax liabilities	258	258	12	12
Total non-current liabilities	271	275	12	12
Net assets	10,577	10,306	9,584	9,473
Equity				
Share capital	6,593	6,593	6,593	6,593
Treasury shares	(3,939)	(3,939)	(3,939)	(3,939)
Translation reserve	(1)	3	-	-
Retained Earnings	7,924	7,649	6,930	6,819
Total equity	10,577	10,306	9,584	9,473

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

	30.09.2018	31.12.2017
	SS'000	SS'000
Finance lease payable		
- Repayable within 1 year	5	5
- Repayable after 1 year	13	17

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	
	3rd Quarter ended 30 September 2018 S\$'000	2017 S\$'000	9 Months ended 30 September 2018 S\$'000	2017 S\$'000
Cash flows from operating activities				
Profit before income tax	675	356	2,011	1,201
<i>Adjustments for:</i>				
Amortisation of intangible assets	13	10	39	24
Depreciation of plant and equipment	406	380	1,185	1,128
Interest expense	-	-	1	1
Interest income from bank deposits	(12)	(7)	(29)	(21)
Loss on disposal of plant and equipment	-	-	-	12
Plant and equipment written off	4	20	12	49
Unrealised foreign exchange (gain)/loss	12	(2)	(4)	-
Operating cash flow before working capital changes	1,098	757	3,215	2,394
<i>Working capital changes:</i>				
Inventories	9	(56)	(47)	(128)
Trade and other receivables	17	337	(257)	285
Trade and other payables	174	(1)	142	(134)
Cash generated from operations	1,298	1,037	3,053	2,417
Income taxes paid	(99)	(50)	(216)	(120)
Interest received	12	7	29	21
Net cash from operating activities	1,211	994	2,866	2,318
Cash flows from investing activities				
Proceeds from disposal of plant and equipment	-	-	-	8
Purchase of plant and equipment	(274)	(1,086)	(795)	(2,411)
Purchase of intangible assets	(13)	(27)	(14)	(36)
Net cash used in investing activities	(287)	(1,113)	(809)	(2,439)
Cash flows from financing activities				
Dividends paid	-	-	(1,400)	(700)
Interest paid	-	-	(1)	(1)
Repayment of finance lease payable	(1)	(1)	(4)	(4)
Net cash used in financing activities	(1)	(1)	(1,405)	(705)
Net change in cash and cash equivalents	923	(120)	652	(826)
Cash and cash equivalents as at the beginning of the financial period	7,857	6,916	8,128	7,622
Cash and cash equivalents as at the end of the financial period	8,780	6,796	8,780	6,796

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	Equity attributable to owners of the Company				
	Share capital S\$'000	Treasury shares S\$'000	Translation reserve S\$'000	Retained earnings S\$'000	Total equity S\$'000
Balance as at 1.1.2018	6,593	(3,939)	3	7,649	10,306
Profit for the financial period	-	-	-	1,675	1,675
<u>Other comprehensive income for the financial period</u>					
Exchange difference on translating foreign operation	-	-	(4)	-	(4)
Total comprehensive income for the financial period	-	-	(4)	1,675	1,671
<u>Distributions to owners</u>					
Dividends	-	-	-	(1,400)	(1,400)
Balance as at 30.9.2018	6,593	(3,939)	(1)	7,924	10,577
Balance as at 1.1.2017	6,593	(3,939)	16	6,403	9,073
Profit for the financial period	-	-	-	995	995
<u>Other comprehensive income for the financial period</u>					
Exchange difference on translating foreign operation	-	-	-	-	-
Total comprehensive income for the financial period	-	-	-	995	995
<u>Distributions to owners</u>					
Dividends	-	-	-	(700)	(700)
Balance as at 30.9.2017	6,593	(3,939)	16	6,698	9,368

1(d)(i)

Company	Share capital S\$'000	Treasury shares S\$'000	Retained Earnings S\$'000	Total S\$'000
Balance as at 1.1.2018	6,593	(3,939)	6,819	9,473
Profit for the financial period, representing total comprehensive income for the financial period	-	-	1,511	1,511
<u>Distributions to owners</u>				
Dividends	-	-	(1,400)	(1,400)
Balance as at 30.9.2018	6,593	(3,939)	6,930	9,584
Balance as at 1.1.2017	6,593	(3,939)	5,768	8,422
Profit for the financial period, representing total comprehensive income for the financial period	-	-	966	966
<u>Distributions to owners</u>				
Dividends	-	-	(700)	(700)
Balance as at 30.9.2017	6,593	(3,939)	6,034	8,688

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 the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings 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. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed 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			
	3rd Quarter ended 30 September 2018		9 months ended 30 September 2017	
Balance as at the beginning of the financial period	18,387,100	18,387,100	18,387,100	18,387,100
Purchased during the financial period	-	-	-	-
Balance as at the end of the financial period	<u>18,387,100</u>	<u>18,387,100</u>	<u>18,387,100</u>	<u>18,387,100</u>
Percentage (%) of treasury shares against total number of shares outstanding	<u>6.6%</u>	<u>6.6%</u>	<u>6.6%</u>	<u>6.6%</u>

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

There were no subsidiary holdings and outstanding convertible instruments which may be converted to shares as at 30 September 2018 and 30 September 2017.

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 30.09.2018	31.12.2017
Total number of issued shares	298,500,000	298,500,000
Less: Treasury shares	(18,387,100)	(18,387,100)
Total number of issued shares, excluding treasury shares	<u>280,112,900</u>	<u>280,112,900</u>

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

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

1(d)(v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.

Not applicable.

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 reporting period compared with the audited financial statements as at 31 December 2017 except as disclosed in Note 5.

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.

The Group has adopted SFRS(I) on 1 January 2018 and has prepared its financial information under SFRS(I) for the financial period ended 30 September 2018. The Group has consistently applied the same accounting policies in its opening SFRS(I) statement of financial position as at 1 January 2017 and throughout the comparable periods presented, as if these policies had always been in effect. In adopting SFRS(I), the Group is required to apply all the specific transition requirements in SFRS(I) 1 First-time Adoption of Singapore Financial Reporting Standards (International) and new SFRS(I), amendments to and interpretation of SFRS(I) that are effective from 1 January 2018. The transition to SFRS(I) did not have any significant impact to the Group.

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	
	3rd Quarter ended		9 Months ended	
	30 September		30 September	
	2018	2017	2018	2017
(a) Basic earnings per share (cents)	0.19	0.11	0.60	0.36
(b) Diluted earnings per share (cents)	0.19	0.11	0.60	0.36
(i) Weighted average number of ordinary shares	280,112,900	280,112,900	280,112,900	280,112,900
(ii) Adjusted weighted average number of ordinary shares	280,112,900	280,112,900	280,112,900	280,112,900

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	
	30.09.2018	31.12.2017	30.09.2018	31.12.2017
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 (cents)	3.78 cents	3.68 cents	3.42 cents	3.38 cents
Total number of issued shares excluding treasury shares at the end of the financial period reported on	280,112,900	280,112,900	280,112,900	280,112,900

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**

Revenue and Profitability

The Group's revenue for the financial period ended 30 September 2018 ("9M2018") was \$32.6 million, an increase of \$2.2 million or 7.3% as compared to \$30.4 million for the financial period ended 30 September 2017 ("9M2017"). The increase was attributable to an increase in revenue from operation of restaurants and online delivery services of \$1.5 million. Revenue for the food processing, distribution and procurement services segment has also increased by \$0.7 million.

Other income decreased by 12.9% mainly related to a decrease in sponsorship income received.

Purchases and other consumables were maintained at approximately 22.0% of revenue as compared to 9M2017.

Employee benefits expense increased by \$0.2 million or 2.1% in 9M2018 mainly due to an increase in related staff costs for existing outlets of \$0.3 million, offset by a decrease in employee benefits expenses due to closure of outlets of \$0.1 million.

Other expenses increased by \$0.6 million or 5.6% in 9M2018 mainly due to an increase in sales commissions of \$0.5 million and packing materials of \$0.1 million, which is associated with online delivery services and supply of meals. The increase in contract workers of \$0.1 million for the central kitchen operations was offset against a decrease in operating lease expenses as a result of the closure of outlets.

As a result, the Group's profit before income tax increased by \$0.8 million or 67.4% as compared to 9M2017. Earnings per share stood at 0.60 cents in 9M2018.

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

Review of Financial and Cash Flow Position

Non-current assets decreased by \$0.3 million from \$3.7 million as at 31 December 2017 ("FY2017") to \$3.4 million as at 30 September 2018 ("3Q2018"). The additions of plant and equipment of \$0.9 million was offset by the depreciation and amortisation expenses of \$1.2 million.

Current assets increased by \$1.0 million or 8.2% as compared to FY2017 mainly due to an increase in trade and other receivables of \$0.3 million and increase in cash and equivalents of \$0.7 million. Trade and other receivables increased mainly due to the increase in receivables of \$0.1 million which is associated with the increased revenue and increase in prepayment and deposits of \$0.2 million which is associated with the signing of new lease agreements. The increase in cash and cash equivalents was attributable mainly to net cash from operating activities of \$2.9 million, offset by payments made for purchases of plant and equipment of \$0.8 million and payment of final dividend of \$1.4 million.

Current liabilities increased by \$0.3 million mainly due to an increase in trade and other payables related to a deferred government grant received and provision for the reinstatement costs of a new outlet collectively at \$0.2 million, and an increase in the current income tax payable of \$0.1 million.

Total equity amounted to \$10.6 million and net asset value per share stood at 3.78 cents as at 3Q2018.

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 continues to focus on strengthening our brands with plans for a cautious expansion of our portfolio of outlets in Singapore. The Group will also continue to bring our food offerings to more customers through online delivery platforms from all our outlets. At the same time, the Group will continue to manage the operations of our restaurants more effectively with productivity measures with the intention to better serve our customers.

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 consumer goods and ready meals through the central kitchen located in Changi Prison Complex which was set up in the last quarter of FY2017 and a new catering kitchen located at Enabling Village which is to be set up in November 2018.

11. Dividend.

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

No.

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

No.

(c) date payable; and

Not applicable.

(d) books closure date.

Not applicable.

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

No interim dividend has been declared or recommended for third quarter financial period ended 30 September 2018.

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. Negative confirmation by the board pursuant to Rule 705(5).

We, Wong Wei Teck and Wong Chi Keong, being directors of Soup Restaurant Group Limited (the “Company”), do hereby confirm on behalf of the directors of the Company that, to the best of our knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the unaudited third quarter results for the financial period ended 30 September 2018 to be false or misleading in any material aspects.

15. 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).

On behalf of the Board of Directors

Wong Wei Teck
Managing Director

Wong Chi Keong
Executive Director

BY ORDER OF THE BOARD
CHONG IN BEE
Company Secretary
13 November 2018