



Soup Restaurant Group Limited

UEN 199103597Z

FOURTH QUARTER AND FULL YEAR FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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 2017		Increase/ (Decrease) %	Financial year ended 31 December 2017		Increase/ (Decrease) %
	SS'000	2016 SS'000		SS'000	2016 SS'000	
Revenue	10,194	10,190	0.0	40,580	38,353	5.8
<i>Other Items of income</i>						
Interest income	8	7	14.3	29	31	(6.5)
Other income	139	106	31.1	565	639	(11.6)
<i>Items of expense</i>						
Changes in inventories	2	(33)	N.M.	130	(21)	N.M.
Purchases and other consumables	(2,080)	(2,267)	(8.2)	(8,754)	(8,711)	0.5
Employee benefits expense	(3,454)	(3,412)	1.2	(14,389)	(13,547)	6.2
Depreciation and amortisation expenses	(407)	(431)	(5.6)	(1,559)	(1,603)	(2.7)
Other expenses	(3,436)	(3,825)	(10.2)	(14,434)	(14,074)	2.6
Finance costs	(19)	(6)	216.7	(20)	(6)	233.3
Profit before income tax	947	329	187.8	2,148	1,061	102.5
Income tax credit/(expense)	4	79	(94.9)	(202)	(63)	220.6
Profit for the financial period/year attributable to owners of the Company	951	408	133.1	1,946	998	95.0
Other comprehensive income:						
<i>Items that may be reclassified subsequently to profit or loss:</i>						
Exchange difference on translating foreign operation	(13)	10	N.M.	(13)	10	N.M.
Other comprehensive income for the financial period/year	(13)	10	N.M.	(13)	10	N.M.
Total comprehensive income for the financial period/year attributable to owners of the Company	938	418	124.4	1,933	1,008	91.8

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) %
	2017	2016		2017	2016	
	S\$'000	S\$'000		S\$'000	S\$'000	
Advertising expense	63	81	(22.2)	287	248	15.7
Cleaning services	245	253	(3.2)	952	863	10.3
Credit card commission charges	107	103	3.9	435	386	12.7
Foreign exchange (gain)/loss, net	(19)	14	(235.7)	(15)	13	(215.4)
Government grant	(26)	(56)	(53.6)	(268)	(494)	(45.7)
Loss on disposal of plant and equipment	4	4	-	16	4	300.0
Impairment loss on plant and equipment	-	83	(100.0)	-	83	(100.0)
Operating lease expenses	2,158	2,301	(6.2)	8,756	8,321	5.2
Over provision of tax expense in respect of prior years	(27)	(45)	(40.0)	(27)	(45)	(40.0)
Plant and equipment written off	7	11	(36.4)	56	84	(33.3)
Repair and maintenance	102	129	(20.9)	359	483	(25.7)
Utilities	459	450	2.0	1,870	1,685	11.0

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	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
	S\$'000	S\$'000	S\$'000	S\$'000
Non-current assets				
Non-trade receivables	-	-	643	-
Plant and equipment	3,630	3,551	28	65
Investments in subsidiaries	-	-	1,732	1,600
Intangible assets	138	58	38	25
	3,768	3,609	2,441	1,690
Current assets				
Inventories	313	183	-	-
Trade and other receivables	3,305	3,510	2,145	3,174
Current income tax recoverable	4	5	-	-
Cash and cash equivalents	8,128	7,622	5,341	4,203
	11,750	11,320	7,486	7,377
<i>Less:</i>				
Current liabilities				
Trade and other payables	3,730	4,429	363	577
Provisions	969	1,042	40	40
Finance lease payable	5	5	-	-
Current income tax payable	233	118	39	16
	4,937	5,594	442	633
Net current assets	6,813	5,726	7,044	6,744
Non-current liabilities				
Finance lease payable	17	22	-	-
Deferred tax liabilities	258	240	12	12
	275	262	12	12
Net assets	10,306	9,073	9,473	8,422
Equity				
Share capital	6,593	6,593	6,593	6,593
Treasury shares	(3,939)	(3,939)	(3,939)	(3,939)
Translation reserve	3	16	-	-
Accumulated profits	7,649	6,403	6,819	5,768
Total equity	10,306	9,073	9,473	8,422

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

	31.12.2017	31.12.2016
	S\$'000	S\$'000
Finance lease payable		
- Repayable within 1 year	5	5
- Repayable after 1 year	17	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	
	2017	2016	2017	2016
	S\$'000	S\$'000	S\$'000	S\$'000
Cash flows from operating activities				
Profit before income tax	947	329	2,148	1,061
<i>Adjustments for:</i>				
Amortisation of intangible assets	9	9	33	60
Amortisation of discount on provision	19	6	19	6
Depreciation of plant and equipment	398	422	1,526	1,543
Impairment loss on plant and equipment	-	83	-	83
Interest expense	-	-	1	-
Interest income	(8)	(7)	(29)	(31)
Loss on disposal of plant and equipment	4	-	16	4
Plant and equipment written off	7	11	56	84
Provision for unutilised annual leave	(15)	(7)	(15)	(7)
Unrealised foreign exchange (gain)/loss	(15)	12	(15)	10
Operating cash flow before working capital changes	1,346	858	3,740	2,813
<i>Working capital changes:</i>				
Inventories	(2)	33	(130)	21
Trade and other receivables	(80)	546	205	781
Trade and other payables	183	(124)	49	(868)
Cash generated from operations	1,447	1,313	3,864	2,747
Income taxes refunded/(paid)	51	60	(69)	(98)
Interest received	8	7	29	31
Net cash from operating activities	1,506	1,380	3,824	2,680
Cash flows from investing activities				
Proceeds from disposal of plant and equipment	4	-	12	3
Purchase of plant and equipment	(144)	(78)	(2,555)	(1,119)
Purchase of intangible assets	(33)	(6)	(69)	(29)
Net cash used in investing activities	(173)	(84)	(2,612)	(1,145)
Cash flows from financing activities				
Dividends paid	-	(700)	(700)	(1,620)
Interest paid	-	-	(1)	-
Purchase of treasury shares	-	-	-	(611)
Repayment of finance lease payable	(1)	(1)	(5)	(1)
Net cash used in financing activities	(1)	(701)	(706)	(2,232)
Net change in cash and cash equivalents	1,332	595	506	(697)
Cash and cash equivalents at the beginning				
Of the financial period/year	6,796	7,027	7,622	8,319
Cash and cash equivalents at the end of the financial period/year	8,128	7,622	8,128	7,622

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	Accumulated profits S\$'000	Total equity S\$'000
Balance as at 01.01.2017	6,593	(3,939)	16	6,403	9,073
Profit for the financial year	-	-	-	1,946	1,946
<u>Other comprehensive income for the financial year</u>					
Exchange difference on translating foreign operation	-	-	(13)	-	(13)
Total comprehensive income for the financial year	-	-	(13)	1,946	1,933
<u>Distributions to owners</u>					
Dividends	-	-	-	(700)	(700)
Balance as at 31.12.2017	6,593	(3,939)	3	7,649	10,306
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

1(d)(i)

Company	Share capital S\$'000	Treasury shares S\$'000	Accumulated profits S\$'000	Total equity S\$'000
Balance as at 01.01.2017	6,593	(3,939)	5,768	8,422
Profit for the financial year, representing total comprehensive income for the financial year	-	-	1,751	1,751
<u>Distributions to owners</u>				
Dividends	-	-	(700)	(700)
Balance as at 31.12.2017	6,593	(3,939)	6,819	9,473
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>Distribution 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

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			
	4th Quarter ended		Financial year ended	
	31 December		31 December	
	2017	2016	2017	2016
Balance as at the beginning of the financial period/year	18,387,100	18,387,100	18,387,100	15,368,200
Purchased during the financial period/year	-	-	-	3,018,900
Balance as at the end of the financial period/year	<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/year.

There were no subsidiary holdings and outstanding convertible instruments which may be converted to shares as at 31 December 2017 and 31 December 2016.

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	
	31.12.2017	31.12.2016
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 during 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. The Company did not have any subsidiary holdings 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 2016, 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 2017. 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		Financial year ended	
	31 December		31 December	
	2017	2016	2017	2016
(a) Basic earnings per share	0.34 cents	0.15 cents	0.70 cents	0.35 cents
(b) Diluted earnings per share	0.34 cents	0.15 cents	0.70 cents	0.35 cents
(i) Weighted average number of ordinary shares	280,112,900	280,112,900	280,112,900	281,920,075
(ii) Adjusted weighted average number of ordinary shares	280,112,900	280,112,900	280,112,900	281,920,075

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	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
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	3.68 cents	3.24 cents	3.38 cents	3.01 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**

The Group's revenue for the financial year ended 31 December 2017 ("FY2017") was \$40.6 million, an increase of \$2.2 million or 5.8% as compared to \$38.4 million for the financial year ended 31 December 2016 ("FY2016"). The increase was attributable to revenue of \$6.6 million from new outlets which opened in the last two quarters of FY2016, offset by a decrease in revenue from existing outlets and closure of outlets of \$4.3 million as a result of the Group's efforts to retain those with the potential to turnaround and exit those which are no longer in line with the Group's targets. Revenue for the food processing, distribution and procurement services segment decreased by \$0.1 million due to the rescheduling of promotional events.

Other income decreased by \$0.1 million or 11.6% mainly due to a decrease in government grants received of \$0.2 million related to the Wage Credit Scheme and Special Employment Credit, partially offset by an increase in sponsorship income of \$0.1 million.

Purchases and other consumables saw an improvement of 1.1 percentage point at 21.6% of revenue as compared to FY2016 due to tightening of cost controls.

Employee benefits expense increased by \$0.8 million or 6.2% in FY2017 mainly due to an increase in employee benefits expenses for the new outlets and related staff costs for existing outlets of \$2.2 million, offset by a decrease in employee benefits expenses due to closure of outlets of \$1.4 million.

Other expenses increased by \$0.4 million or 2.6% in FY2017 mainly due to a net increase in operating expenses of \$0.1 million as a result of the opening and closure of outlets, an increase of \$0.1 million for setting up the central kitchen at Changi Prison Complex, an increase of \$0.2 million for operating lease expenses for existing outlets as well as an increase of \$0.1 million for sales commission and advertising costs paid for online delivery services. This was partially offset by a decrease of professional fees of \$0.1 million as a result of a write back.

As a result, the profit before income tax doubled to \$2.1 million, an increase of \$1.1 million or 102.5% in FY2017 as compared to FY2016. Earnings per share stood at 0.70 cents in FY2017.

(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 \$0.2 million from \$3.6 million, as at 31 December 2016 (“FY2016”), to \$3.8 million as at 31 December 2017 (“FY2017”), mainly due to additions of plant and equipment of \$1.7 million and intangible assets of \$0.1 million, offset by depreciation and amortisation expenses of \$1.6 million.

Current assets increased by \$0.4 million as compared to FY2016 mainly due to an increase in cash and cash equivalents of \$0.5 million and increase in inventories of \$0.1 million, offset against a decrease in trade and other receivables of \$0.2 million. The increase in cash and cash equivalents was attributable mainly to net cash from operating activities, offset by payments made for purchases of plant and equipment and intangible assets of \$2.6 million and payment of dividend of \$0.7 million. Trade and other receivables decreased by \$0.2 million mainly due to the refund of security deposits of \$0.6 million as a result of the utilisation of bank guarantees and closure of outlets, offset against an increase in receivables which is associated with the increased revenue.

Current liabilities decreased by \$0.7 million mainly due to a decrease in trade and other payables as a result of payments for purchases of plant and equipment recorded as at FY 2016.

Total equity increased by \$1.2 million from \$9.1 million, as at FY2016, to \$10.3 million as at FY2017, attributable mainly to the payment of the final dividend of \$0.7 million, offset by profit reported during the financial year. The Group’s net asset value per share stood at 3.68 cents as at FY2017.

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. The Group has plans to invest in online delivery platforms to reach a broader customer base through online delivery by utilising and maximising our current resources. At the same time, the Group will continue to manage the operation of restaurants more effectively with productivity measures with the intention to serve our customers better.

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.

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	0.50 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	0.25 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 has not obtained 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 (in the format set out in Appendix 7.7) under Rule 720(1).**

The Company confirms 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	
	FY2017	FY2016	FY2017	FY2016	FY2017	FY2016	FY2017	FY2016
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Total segment revenue	39,424	37,047	10,185	9,911	-	-	49,609	46,958
Inter-segment revenue	(12)	(5)	(9,017)	(8,600)	-	-	(9,029)	(8,605)
Revenue from external customers	39,412	37,042	1,168	1,311	-	-	40,580	38,353
Segment profit/(loss)	2,063	921	24	268	(170)	(222)	1,917	967
Depreciation and amortisation	1,368	1,431	191	172	-	-	1,559	1,603
Impairment loss on plant and equipment	-	83	-	-	-	-	-	83
Segment assets/ total assets	11,844	12,270	3,527	2,523	147	136	15,518	14,929
Segment liabilities/ total liabilities	3,665	4,323	1,292	1,106	255	427	5,212	5,856
Capital expenditure on plant and equipment	677	2,330	1,011	34	-	-	1,688	2,364
Capital expenditure on intangible assets	107	29	6	1	-	-	113	30

A reconciliation of the total segment profits for the financial year is as follows:

	Group	
	FY2017	FY2016
	S\$'000	S\$'000
Segment profits	1,917	967
Interest income	29	31
Profit for the financial year	1,946	998

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 97.1% or \$39.4 million of the Group's revenue in FY2017. The increase in revenue of \$2.4 million for operation of restaurants was mainly due to a net increase from the closure and opening of new outlets in the last two quarters of FY2016.

Food processing and distribution business accounted for 2.9% or \$1.2 million of the Group's revenue in FY2017. This segment is in line with the Group's strategy to reduce overheads and costs by vertical integration. The increase in the total segment revenue by 2.8% was due to an increase in the inter-segment revenue, offset by a decrease in revenue from external customers. A central kitchen located in Changi Prison Complex has been set up in the last quarter of FY2017 as part of the effort to widen the Group's distribution networks for ready meals to be supplied to nursing homes and VWOs across Singapore.

Others refer to investment holding companies.

Please refer to paragraph 8 for a detailed commentary of the Group's financial performance in FY2017.

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		Increase/ (Decrease)
	Financial Year Ended	31.12.2016	
	31.12.2017	31.12.2016	(Decrease)
	S\$'000	S\$'000	%
(a) Sales reported for first half year	20,608	19,130	7.7
(b) Operating profit after income tax before deducting minority interests reported for first half year	677	523	29.4
(c) Sales reported for second half year	19,972	19,223	3.9
(d) Operating profit after tax before deducting minority interests reported for second half year	1,269	475	167.2

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 December	
	2017	2016
Ordinary shares	S\$	S\$
Special	-	700,282
Final *	1,400,565	700,282
Total	1,400,565	1,400,564

* Proposed final dividend for FY2017 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 Company or any of its principal subsidiaries who is relative of a director or chief executive officer or substantial shareholder of the Company.

BY ORDER OF THE BOARD

CHONG IN BEE
Company Secretary
23 February 2018