



Soup Restaurant Group Limited

UEN 199103597Z

FIRST QUARTER FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019

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		Increase / (Decrease) %
	3 Months ended 31 March 2019 S\$'000	2018 S\$'000	
Revenue	11,865	11,068	7.2
<i>Other items of income</i>			
Interest income from bank deposits	13	8	62.5
Other income	173	154	12.3
<i>Items of expense</i>			
Changes in inventories	85	54	N.M.
Purchases and other consumables	(2,592)	(2,398)	8.1
Employee benefits expense	(4,056)	(3,789)	7.0
Depreciation and amortisation expenses	(2,161)	(399)	441.6
Other expenses	(2,449)	(3,805)	(35.6)
Finance costs (<i>Note 1</i>)	(172)	-	N.M.
Profit before income tax	706	893	(20.9)
Income tax expense	(119)	(137)	(13.1)
Profit for the financial period attributable to owners of the Company	587	756	(22.4)
Other comprehensive income:			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange difference on translating foreign operation	(2)	(16)	N.M.
Other comprehensive income for the financial period	(2)	(16)	N.M.
Total comprehensive income for the financial period attributable to owners of the Company	585	740	(20.9)

N.M. – Not meaningful

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

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

	Group		Increase / (Decrease) %
	3 Months ended 2019 S\$'000	31 March 2018 S\$'000	
Advertising expense	45	81	(44.4)
Cleaning services	280	259	8.1
Credit card commission charges	182	123	48.0
Depreciation and amortisation expenses			
- plant and equipment	367	399	(8.0)
- right-of-use assets (<i>Note 1</i>)	1,794	-	N.M.
Foreign exchange gain, net	(4)	(20)	(80.0)
Government grant	(133)	(141)	(5.7)
Operating lease expenses (<i>Note 1</i>)	422	2,097	N.M.
Plant and equipment written off	11	1	N.M.
Sales commission	230	144	59.7
Utilities	569	472	20.6

Notes:

- (1) With effect from the financial year beginning 1 January 2019, the Group has adopted the new SFRS(I) 16 – Leases. Please refer to paragraph 5, page 9 of this financial statement for more details on the adoption.

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	
	31.03.2019	31.12.2018	31.03.2019	31.12.2018
	SS'000	SS'000	SS'000	SS'000
Non-current assets				
Plant and equipment	2,937	3,173	24	28
Right-of-use assets	15,426	-	280	-
Investments in subsidiaries	-	-	1,765	1,765
Intangible assets	122	133	63	63
Other receivables	-	-	721	769
	18,485	3,306	2,853	2,625
Current assets				
Inventories	352	266	-	-
Trade and other receivables	3,742	3,420	2,525	2,276
Current income tax recoverable	-	5	-	-
Cash and cash equivalents	9,984	10,039	5,810	5,902
	14,078	13,730	8,335	8,178
<i>Less:</i>				
Current liabilities				
Trade and other payables	3,792	4,260	638	585
Provisions	974	1,031	40	40
Lease liabilities	6,481	5	122	-
Current income tax payable	477	405	80	33
	11,724	5,701	880	658
Net current assets	2,354	8,029	7,455	7,520
Non-current liabilities				
Lease liabilities	9,047	11	160	-
Deferred tax liabilities	259	259	12	12
	9,306	270	172	12
Net assets	11,533	11,065	10,136	10,133
Equity				
Share capital	6,593	6,593	6,593	6,593
Treasury shares	(4,083)	(3,966)	(4,083)	(3,966)
Translation reserve	(3)	(1)	-	-
Retained earnings	9,026	8,439	7,626	7,506
Total equity	11,533	11,065	10,136	10,133

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

Including in the lease liabilities is the finance lease for certain items of computers secured by the rights to the leased printers:-

	31.03.2019	31.12.2018
	SS'000	SS'000
Finance lease payable		
- Repayable within 1 year	5	5
- Repayable after 1 year	10	11

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	
	3 Months ended 2019	31 March 2018
	S\$'000	S\$'000
Cash flows from operating activities		
Profit before income tax	706	893
<i>Adjustments for:</i>		
Amortisation of intangible assets	14	14
Depreciation of plant and equipment	353	385
Depreciation of right-of-use assets	1,794	-
Interest expense	172	-
Interest income from bank deposits	(13)	(8)
Plant and equipment written off	11	1
Unrealised foreign exchange loss	(2)	(17)
Operating cash flow before working capital changes	3,035	1,268
<i>Working capital changes:</i>		
Inventories	(85)	(54)
Trade and other receivables	(323)	(381)
Trade and other payables	(525)	(369)
Cash generated from operations	2,102	464
Income taxes paid	(41)	(20)
Interest received	13	8
Net cash from operating activities	2,074	452
Cash flows from investing activities		
Purchase of plant and equipment	(127)	(24)
Purchase of intangible assets	(4)	-
Net cash used in investing activities	(131)	(24)
Cash flows from financing activities		
Purchase of treasury shares	(117)	-
Repayment of lease liabilities	(1,881)	(2)
Net cash used in financing activities	(1,998)	(2)
Net change in cash and cash equivalents	(55)	426
Cash and cash equivalents at the beginning of the financial period	10,039	8,128
Cash and cash equivalents at the end of the financial period	9,984	8,554

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 01.01.2019	6,593	(3,966)	(1)	8,439	11,065
Profit for the financial period	-	-	-	587	587
<u>Other comprehensive income for the financial period</u>					
Exchange difference on translating foreign operation	-	-	(2)	-	(2)
Total comprehensive income for the financial period	-	-	(2)	587	585
<u>Distributions to owners</u>					
Purchase of treasury shares	-	(117)	-	-	(117)
Balance as at 31.03.2019	6,593	(4,083)	(3)	9,026	11,533
Balance as at 01.01.2018	6,593	(3,939)	3	7,649	10,306
Profit for the financial period	-	-	-	756	756
<u>Other comprehensive income for the financial period</u>					
Exchange difference on translating foreign operation	-	-	(16)	-	(16)
Total comprehensive income for the financial period	-	-	(16)	756	740
Balance as at 31.3.2018	6,593	(3,939)	(13)	8,405	11,046

1(d)(i)

Company	Share capital S\$'000	Treasury shares S\$'000	Retained earnings S\$'000	Total S\$'000
Balance as at 01.01.2019	6,593	(3,966)	7,506	10,133
Profit for the financial period, representing total comprehensive income for the financial period	-	-	120	120
<u>Distributions to owners</u>	-	(117)	-	(117)
Purchase of treasury shares				
Balance as at 31.03.2019	6,593	(4,083)	7,626	10,136
Balance as at 01.01.2018	6,593	(3,939)	6,819	9,473
Profit for the financial period, representing total comprehensive income for the financial period	-	-	122	122
Balance as at 31.03.2018	6,593	(3,939)	6,941	9,595

- 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	
	3 Months ended 31 March 2019	2018
Balance as at the beginning of the financial period	18,552,300	18,387,100
Purchased during the financial period	620,000	-
Balance as at the end of the financial period	<u>19,172,300</u>	<u>18,387,100</u>
Percentage (%) of treasury shares against total number of shares outstanding	<u>6.9%</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 31 March 2019 and 31 March 2018.

- 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 31.3.2019	31.12.2018
Total number of issued shares	298,500,000	298,500,000
Less: Treasury shares	(19,172,300)	(18,552,300)
Total number of issued shares, excluding treasury shares	<u>279,327,700</u>	<u>279,947,700</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 reporting period compared with the audited financial statements as at 31 December 2018, except for the adoption of the new and revised Singapore Financial Reporting Standards (International) ("SFRS(I)") which are effective for its financial year beginning 1 January 2019.

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 the new Singapore Financial Reporting Standards (International) ("SFRS(I)") 16 Leases on 1 January 2019, using the modified retrospective approach in accordance with the transitional provisions, and therefore recognised leases on the statement of financial position as at 1 January 2019.

SFRS(I) 16 introduces a single, on balance sheet lease accounting model which eliminates the current distinction between operating and finance leases for lessees. It requires lessees to capitalise all leases on the statement of financial position by recognising a 'right-of-use' asset and a corresponding lease liability for the present value of the obligation to make lease payments, except for certain short-term leases and leases of low-value assets.

The Group has not restated comparatives for the 2018 reporting period as permitted under the specific transition provisions in SFRS(I) 16. The Group capitalised its operating leases on office premises and other operating facilities on the statement of financial position by recognising 'right-of-use' assets and their corresponding lease liabilities for the present value of future lease payments of \$17.2 million. Subsequently, the lease assets will be depreciated over the lease term on a straight-line basis and the lease liabilities will be measured at amortised cost.

Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

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	
	3 Months ended 31 March	
	2019	2018
(a) Basic earnings per share (cents)	0.21	0.27
(b) Diluted earnings per share (cents)	0.21	0.27
(i) Weighted average number of ordinary shares	279,899,478	280,112,900
(ii) Adjusted weighted average number of ordinary shares	279,899,478	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	
	31.03.2019	31.12.2018	31.03.2019	31.12.2018
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)	4.13	3.95	3.63	3.62
Total number of issued shares excluding treasury shares at the end of the financial period reported on	279,327,700	279,947,700	279,327,700	279,947,700

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 31 March 2019 ("3M2019") was \$11.9 million, an increase of \$0.8 million or 7.2% as compared to \$11.1 million for the financial period ended 31 March 2018 ("3M2018"). The increase was attributable to an increase in revenue from existing outlets and online delivery services of \$0.2 million and a net increase in revenue from the opening and closure of outlets of \$0.5 million due to mall refurbishment. Revenue for the food processing, distribution and procurement services segment has also increased by \$0.1 million.

Other income increased by 12.3% mainly related to write back of expired vouchers.

Purchases and other consumables were maintained at approximately 22.0% of revenue as compared to 3M2018.

Employee benefits expense increased by \$0.3 million or 7.0% in 3M2019 mainly due to the net increase as a result of the opening and closure of outlets as well as the set-up of a new catering kitchen located at Enabling Village in November 2018.

Depreciation and amortisation expenses increased by \$1.8 million in 3M2019 mainly due to depreciation of right-of-use assets incurred upon the recognition of the right-of-use assets as a result of the adoption of SFRS(I) 16 *Leases*.

Other expenses decreased by \$1.4 million or 35.6% in 3M2019 mainly due to a decrease in operating leases of \$1.9 million, as a result of the adoption of SFRS(I) 16 *Leases*, netted off against the opening of an outlet of \$0.1 million and variable rent of \$0.1 million. The decrease was offset by an increase in sales commission of \$0.1 million which is associated with online delivery services, and an increase in utilities and credit card commissions of \$0.2 million which are associated with the opening of a new outlet and a higher level of business activities.

Finance costs increase was in relation to the interest expenses on lease liabilities taken up as a result of the adoption of SFRS (I) 16 *Leases*.

As a result, the Group's profit before income tax decreased by \$0.2 million or 20.9% as compared to 3M2018. Earnings per share stood at 0.21 cents in 3M2019.

- (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 increased by \$15.2 million from \$3.3 million, as at 31 December 2018 ("FY2018"), to \$18.5 million as at 31 March 2019 ("1Q2019"), mainly due to recognition of right-of-use assets of \$17.2 million and the addition of plant and equipment of \$0.1 million, offset by depreciation and amortisation expenses of \$2.1 million.

Current assets increased by \$0.3 million as compared to FY2018 mainly due to an increase in trade and other receivables of \$0.3 million and increase in inventories of \$0.1 million, offset by a decrease in cash and cash equivalents of \$0.1 million. The trade and other receivables increase was 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, due to the signing of new lease agreements. The decrease in cash and cash equivalents was attributable mainly to purchase of treasury shares of \$0.1 million, repayment of lease liabilities of \$1.9 million, partially offset by net cash from operating activities of \$2.1 million.

Total liabilities increased by \$15.0 million mainly due to an increase in lease liabilities of \$15.5 million as a result of the adoption of SFRS(I) 16 Leases, offset by a decrease in trade and other payables of \$0.5 million as a result of payments for staff bonuses and expenses accrued as at FY2018.

Total equity increased by \$0.5 million from \$11.0 million as at FY2018, to \$11.5 million as at 1Q2019, attributable mainly to the profit reported during the financial period, offset against purchases of treasury shares of \$0.1 million. The Group's net asset value per share stood at 4.13 cents as at 1Q2019.

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 the rejuvenation of some of our 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 the implementation of productivity measures with the intention of serving 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 and a new catering kitchen located at Enabling Village which started operations 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/recommendeded, a statement to that effect.

No dividend has been declared/recommendeded for the financial period ended 31 March 2019 as the Company declares dividends (if any) during full year results announcements, depending on factors such as earnings and financial position, results of operations, capital needs, plans for expansion and other factors as the Board of Directors may deem appropriate.

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 first quarter results for the financial period ended 31 March 2019 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
8 May 2019