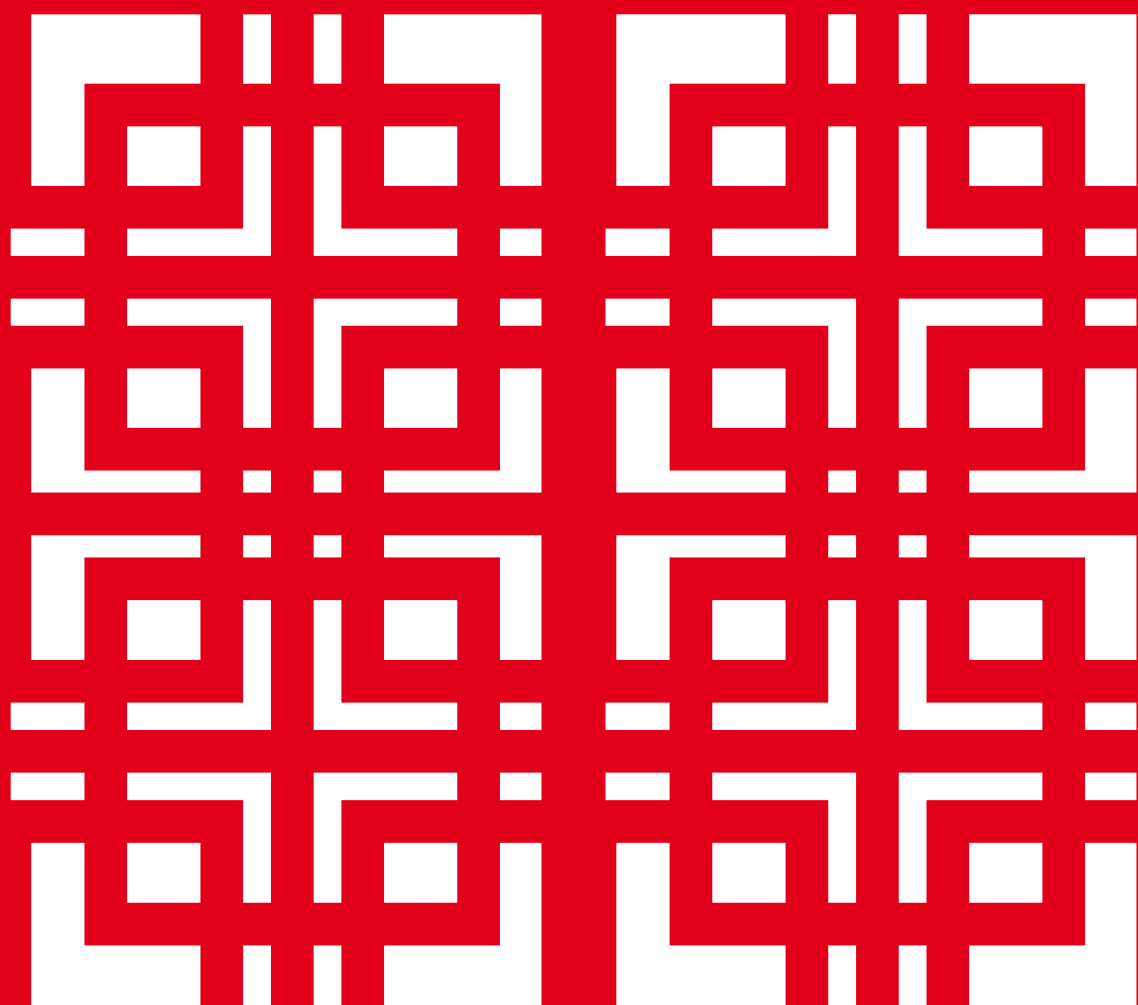




Soup Restaurant Group Limited

Annual Report 2007







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Corporate Profile

Established in 1991 and listed on SGX-Catalist (formerly known as SGX-SESDAQ) in May 2007, Soup Restaurant Group Limited is a home-grown chain of restaurants under the name and style of “Soup Restaurant”. The first “Soup Restaurant” outlet which commenced operations in 1991, was conceptualised as a niche restaurant focusing mainly on herbal soups and home-cooked dishes served at reasonable prices.

Today, the Group has expanded into 18 outlets island-wide under two major brand names:

Soup Restaurant

Group of restaurants, which serves traditional, home-cooked “Chinatown Heritage Cuisine”

Dian Xiao Er

Group of restaurants, which specialises in serving herbal roasted ducks and Chinese cuisines.



Our Footprint



Soup Restaurant

- AMK Hub
- Causeway Point
- Century Square
- Changi Airport T2
- Compass Point
- Hougang Mall
- Jurong Point
- Paragon
- Scottswalk
- Seah Street
- Suntec City
- The Centrepoint
- United Square



Dian Xiao Er

- AMK Hub
- Causeway Point
- Marina Square
- VivoCity
- Changi Airport T3



Our Brands



Soup Restaurant

Combining the best of both worlds, “Soup Restaurant” is a restaurant reminiscent of the rich cultural heritage found in Singapore’s Chinatown in the early 20th century and a place where diners can savour traditional, home-cooked dishes while dining in modern comfort.

With 13 “Soup Restaurant” outlets located island-wide, diners can easily find one to try its signature dish, “Samsui Ginger Chicken” (三 水 姜 茸 鸡) and various traditional Chinese double-boiled herbal soups. The restaurant’s most popular dish pays tribute to the Samsui Women, who would prepare the dish during the Chinese New Year as a special yearly treat. By preparing the restaurant’s specialties the traditional way, it preserves the authentic taste of their cuisine for all to enjoy.



Our Signature Dish

The Story of “Samsui Ginger Chicken”

Chinatown Heritage Cuisine

Despite our restaurant’s name, our most popular dish is the signature “Samsui Ginger Chicken”. It presumably commemorates the frugality and diligence of Samsui women, who celebrated Chinese New Year.

Are you aware of the history of the Samsui Women in Chinatown? They lived on a subsistence level and only got to eat their specially prepared chicken during the Chinese New Year. “Samsui Ginger Chicken” is prepared in the same traditional way. The whole chicken is cooked for a predetermined duration and temperature, thus, maintaining its rich chicken aroma and taste. The art of consuming “Samsui Ginger Chicken” is by dipping the chicken into ginger sauce and wrapping them with fresh lettuce. Traditionally, ginger has been used for prevention of “cold” and relief of the “wind” in the body.



Dian Xiao Er

Dining at “Dian Xiao Er” is as good as taking a trip through time with the décor of the restaurant specially designed to create a unique tavern-like dining experience. The restaurant’s specialty is herbal roasted ducks, where the tradition of incorporating herbs into Chinese cuisine has been extended.

“Dian Xiao Er” was acquired through a 50.98% equity interest in Y.E.S F & B Group Pte. Ltd. in November 2006. Today, the Group operates five outlets, making the delectable cuisine accessible to all.



The History & Culture of Duck Roasting

The history of duck roasting can be traced back to as early as the Yuan Dynasty when it was listed among the imperial dishes. It gained widespread acclaim as a prized delicacy during the Ming and Qing dynasties. Emperor Qian Long and Dowager CiXi have always enjoyed a vast variety of roasted duck. The premier Zhou En Lai, a great fan of roasted duck, never failed to introduce this delicacy to his foreign counterparts. Till today, this delicacy has won praises from former US president Bill Clinton and the Bush presidential family during their visits to China.

The Origin of Herbal Roasted Duck

The applications of Chinese Herbs have evolved over thousands of years. In fact, it has become a distinctive culture heritage of the Chinese. It was said that combining herbs with roasted duck was the brainchild of a Xiao Er (Waiter) in a roasted duck restaurant. It started out as an attempt to help his bedridden master on the route to recovery. After a few feeding sessions, the master showed remarkable improvements in his condition, making a speedy recovery and even emerged stronger than before. From then on, Herbal Roasted Duck became the specialty of the restaurant.

Corporate Information

BOARD OF DIRECTORS

Chairman

Mok Yip Peng

*(Executive Chairman and
Managing Director)*

Members

Wong Wei Teck

(Executive Director)

Then Khok Koon

(Non-Executive Director)

Professor Cham Tao Soon

(Lead Independent Director)

(Appointed on 14 May 2007)

Chua Koh Ming

(Independent Director)

(Appointed on 23 March 2007)

Jong Voon Hoo

(Independent Director)

(Appointed on 23 March 2007)

Saw Meng Tee

(Independent Director)

(Appointed on 23 March 2007)

BOARD COMMITTEES

Audit Committee

Chairman

Professor Cham Tao Soon

Members

Chua Koh Ming

Jong Voon Hoo

Saw Meng Tee

Nominating Committee

Chairman

Chua Koh Ming

Members

Professor Cham Tao Soon

Jong Voon Hoo

Mok Yip Peng

Saw Meng Tee

Remuneration Committee

Chairman

Saw Meng Tee

Members

Professor Cham Tao Soon

Chua Koh Ming

Jong Voon Hoo

COMPANY SECRETARY

Toh Yen Sang, CPA

SHARE REGISTRAR

Boardroom Corporate &
Advisory Services Pte Ltd

3 Church Street

#08-01 Samsung Hub

Singapore 049483

AUDITORS

BDO Raffles

Certified Public Accountants

5 Shenton Way

#07-01 UIC Building

Singapore 068808

Lee Joo Hai (Partner-in-charge)

(Appointed since financial year ended 31

December 2007)

INTERNAL AUDITORS

Horwath First Trust

Certified Public Accountants

7 Temasek Boulevard

#11-01 Suntec Tower One

Singapore 038987

REGISTERED OFFICE

171 Kampong Ampat

#03-11 KA FoodLink

Singapore 368330

Tel: 6222 4668

Fax: 6222 4667

Email: email@souprestaurant.com.sg

Website: www.souprestaurant.com.sg



Quality

Every ingredient matters to make every detail perfect. Feels just like home, a hearty and healthy meal to share with good company and loved ones.





On behalf of the Board of Directors, I am pleased to present this annual report of the Group and the Company for the financial year ended 31 December 2007 ("FY2007").



Chairman's Message



Dear Shareholders,

FY2007 marked a very significant year in our corporate history. The Company was admitted to the official list of the Singapore Exchange Securities Trading Limited Dealing and Automated Quotation System (“SGX-SESDAQ”), now known as SGX-Catalist, on 28 May 2007, after the successful launch of our initial public offering (“IPO”) of 26 million shares at 21 cents each.

Operating and Financial Performance

We achieved record performance for FY2007 as Group revenue and profit after income tax surged S\$12.1 million or 55.2% and S\$1.6 million or 69.5% respectively to S\$34.0 million and S\$3.9 million, driven by organic growth, the acquisition of a majority stake in “Dian Xiao Er” chain of restaurants and the robust economic conditions in Singapore. We also registered a healthy net increase in cash and cash equivalents of S\$7.8 million in which S\$4.1 million came from the net proceeds from IPO. As of 31 December 2007, the cash and cash equivalents of the Group was S\$11.5 million.

The acquisition of “Dian Xiao Er” chain of restaurants through the purchase of 50.98% equity interests in Y.E.S F & B Group Pte. Ltd. in November 2006 began to yield positive results as the newly acquired brand concept delivered a strong maiden full year contribution.

We opened a “Soup Restaurant” and “Dian Xiao Er” outlet during the year in the new AMK Hub, as a part of our growth strategy by extending our presence in the food and beverage industry. “Dian Xiao Er” chain of restaurants offers a separate menu and its independence complements rather than compete directly with “Soup Restaurant” chain of restaurants.

Taking stock of our business, we also ceased operations of our under-performing “Soup Restaurant” outlet in Chinatown and converted our “Kampong Days” outlet at Causeway Point Shopping Centre to a “Dian Xiao Er” outlet in May 2007.

We are honoured to be the first Chinese restaurant chain in Singapore that was awarded the Workforce Skills Qualification (WSQ) Training Excellence Award in October 2007. This is a testament to our commitment to our customers in providing excellent service and to our employees in providing quality in-house training.

Furthermore, we are pleased to share that our new brand, “Dian Xiao Er”, is one of the proud winners of the Singapore Prestige Brand Award 07 which had shown excellent branding strategy and performance.

Chairman's Message

Dividends

In view of the above, a first and final tax-exempt (one-tier) dividend of 1 cent per share has been recommended by the Board of Directors for approval at the forthcoming Annual General Meeting. The dividend represents a payout ratio of approximately 30.8% of the Group's net profit in FY2007.

Outlook

The excellent performance in FY2007 leaves us on track to meet our target of earnings growth for the year ahead. Although Singapore economy may see its growth slow a little, there is still a significant momentum in the local economy that should see income grow and consumption expenditure rise. We expect the prospects of the local food and beverage industry to remain positive with the growing economy.

We will continue to take proactive measures to expand our business by exploring and possibly expanding into new emerging markets. We will also make great efforts to strengthen our presence in key existing markets through establishment of new outlets and introduction of new products into the markets. In this regard, we intend to continue our expansion plans in Singapore by opening at least two outlets this year when suitable locations are available. We are also currently doing research and development of ready-to-eat Chinese soup products which we can target at local as well as overseas markets.

Strong competition, rising costs and higher rental rates for our outlets are the key challenges facing us this year. To mitigate the effects of these challenges, we will accelerate the refurbishment and upgrading of the existing outlets, facility and equipment to improve operational efficiency and introduce new dishes to stay ahead of our competitors. We will also continue our efforts to explore the possibility to import certain raw materials to reduce the cost of sales.

Appreciation

The strong performance in FY2007 could not have been achieved without the people who work for the Group. On behalf of the Board of Directors, I would like to take this opportunity to thank them for their contribution, commitment and dedication that has enabled us to deliver these excellent results. Our sincere appreciation also goes to our suppliers and customers for their strong support over the years. Last but not least, I would like to thank our shareholders for their support and confidence in us.

Mok Yip Peng
Chairman

Fragrant

Scent of soups and dishes prepared with care wafts through the air. Indulge and enjoy; vitalise your mind and nourish your body.





Group revenue increased by S\$12.1 million or 55.2% from S\$21.9 million for the financial year ended 31 December 2006 ("FY2006") to S\$34.0 million for FY2007.



Business Review



Revenue and Profitability

The strong growth in revenue was mainly due to the maiden full year contribution of S\$10.1 million by the “Dian Xiao Er” chain of restaurants, which in the previous year saw only S\$1.2 million of revenue contribution for a two-month period. The Group had also strategically converted its only “Kampong Days” outlet at Causeway Point Shopping Centre to a “Dian Xiao Er” outlet in May 2007 to capitalise on the popularity of this new brand. Revenue from “Dian Xiao Er” outlets accounted for 29.7% of Group revenue in FY2007, compared to only 5.5% in FY2006.

Group revenue was further boosted by positive contribution from the three new “Soup Restaurant” outlets which commenced operations from the second half of FY2006 and early FY2007. Besides contributions from these new outlets, revenue from the existing outlets also increased by more than 5.0%. As part of its ongoing outlet rationalisation, the Group ceased operation of its under-performing “Soup Restaurant” outlet in Chinatown during the year. As a result, revenue from “Soup Restaurant” outlets grew by 15.5% overall to S\$23.9 million, making up a total of 70.3% of the Group’s revenue.

Purchases and other consumables, employee benefits expenses, depreciation of plant and equipment and other expenses increased by S\$10.4 million or 54.0% from S\$19.4 million in FY2006 to S\$29.8 million in FY2007, which were in tandem with the growth in revenue.

Purchases and other consumables increased by S\$2.8 million in FY2007 but remained the same in terms of percentage of revenue which was the result of the Group’s continued efforts to maintain the cost of raw materials. Expressed as a percentage of revenue, employee benefits expenses fell by 0.7 percentage points from 32.2% in FY2006 to 31.5% in FY2007, mainly due to the lower percentage incurred by Y.E.S F & B Group Pte. Ltd. Depreciation of plant and equipment rose by S\$0.4 million or 48.3% to S\$1.3 million in FY2007, in line with the addition of fixed assets acquired for the new outlets during the year. Other expenses increased by S\$3.6 million to S\$9.9 million in FY2007 as a result of higher rental costs, credit card commission, professional fees and continuing listing expenses.

Business Review



The Group achieved a record profit before income tax of S\$4.6 million for FY2007, an increase of S\$1.7 million or 60.0% from S\$2.9 million in FY2006. This was driven both by higher revenue and a wider profit margin as the Group succeeded in keeping costs in check, despite experiencing higher levels of business activity.

The Group's effective income tax rate fell to 14.0% in FY2007 from 18.8% in FY2006 due to deferred tax over-provided in the previous year. Group profit after income tax rose by 69.5% from S\$2.3 million in FY2006 to S\$3.9 million in FY2007.

Financial and Cash Flow Position

Plant and equipment increased by S\$0.7 million from S\$2.6 million in FY2006 to S\$3.3 million mainly due to the additional fixed assets acquired upon the opening of new outlets as well as the refurbishment of two existing outlets in FY2007.

Trade and other receivables increased by S\$0.4 million from S\$2.4 million in FY2006 to S\$2.8 million in FY2007 as a result of the increase in rental deposits required for the leasing of the new outlets. Trade and other payables increased by S\$1.0 million from S\$2.5 million in FY2006 to S\$3.5 million in FY2007 mostly due to an increase in accrued operating expenses of S\$0.8 million.

The increase of S\$7.8 million in cash and cash equivalents from S\$3.7 million in FY2006 to S\$11.5 million as at year end of FY2007 included the net proceeds of S\$4.1 million from the successful listing of the Company's shares on SGX-Catalist, formerly known as SGX-SESDAQ, in May 2007. Net cash generated from operating activities amounted to S\$5.9 million in FY2007, which was an increase of S\$3.9 million from S\$2.0 million in FY2006.

Share capital increased by S\$4.5 million due to the bonus issue out of accumulated profits on the basis of two Bonus Shares for every one existing ordinary share in the capital of the Company held by the shareholders of the Company in March 2007 and the issue of 26 million new shares of S\$0.21 each in May 2007.

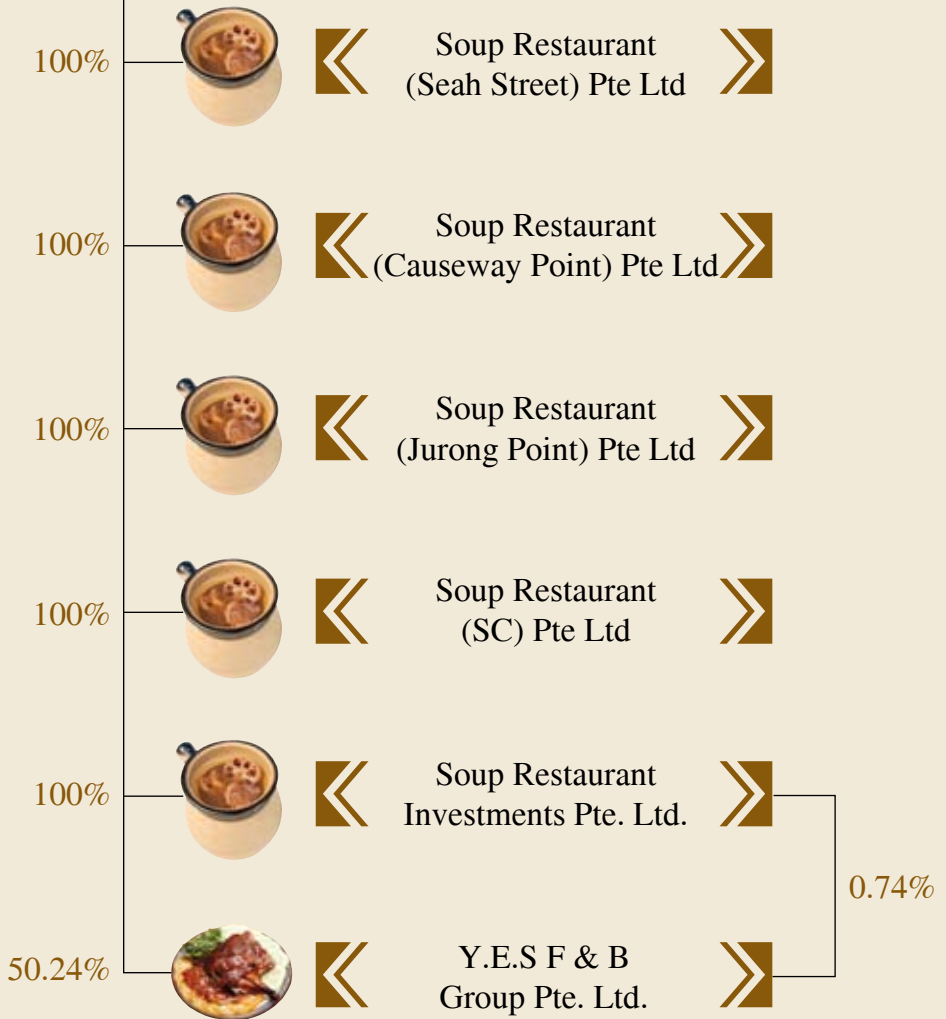


Taste

Reminiscent of flavours of tradition, passed down for generations. Served with a modern touch, there's something for everyone, be it young or old.



Corporate Structure





171 Kampong Ampat #03-11 KA FoodLink
Singapore 368330