
RESPONSE TO QUERIES FROM SGX

The Board of Directors (the “**Board**”) of Pavillon Holdings Ltd. (the “**Company**”, together with its subsidiaries, the “**Group**”) wishes to announce the following in response to the queries raised by the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) in respect of the Company’s announcement released on 8 November 2023 regarding the Company’s interested person transactions pursuant to Rule 905(2) of the Listing Manual of the SGX-ST (the “**Listing Manual**”).

SGX-ST Query (1)

On 8 Nov 2023, Pavillon announced a new 1-year lease agreement entered into between Fengchi IOT and Daju Logistics, an interested person transaction. Please disclose the current shareholding interest of the Company and the relevant interested persons in each of Fengchi IOT and Daju Logistics.

Company’s response

Entity name	Shareholding interest of the Company	Shareholding interest of the interested person (Mr. Ding Furu)
Shanghai Liuyu Information Technology Co., Ltd (上海六渝信息科技有限公司) (“ Shanghai Liuyu ”)	-	100%
Daju Logistics (Tianjin) Co., Ltd (达聚物流(天津)有限公司) (“ Daju Logistics ”)	49%, through Pavillon Business Development (Shanghai) Co., Ltd. (兰亭商业发展(上海)有限公司), a wholly-owned subsidiary of the Company (“ Pavillon Business Development ”)	51%, through Shanghai Liuyu
Fengchi IOT Management Co. Ltd, (丰驰物联网管理有限公司) (“ Fengchi IOT ”)	49%, through Tianjin Pavillon Assets Management Co., Ltd. (天津兰亭资产管理有限公司), a wholly-owned subsidiary of the Company (“ Tianjin Pavillon Assets ”)	51%, through Shanghai Liuyu

Mr Ding Furu is the 100% ultimate beneficial shareholder of Shanghai Liuyu.

Mr Ding Furu (a non-executive and non-independent Director of the Company) is the sole shareholder and director of New Development Hotel Management Pte. Ltd. (“**New Development**”). New Development has a shareholding interest of 72.98% in the Company as at the date of this announcement.

Interested person for Fengchi IOT and Daju Logistics is Mr Ding Furu.

SGX-ST Query (2)

The Company, through Fengchi IOT, had on 1 November 2023 renewed the lease agreement with Daju Logistics for another term of 1 year of RMB390,000 per month (the "Lease"). In the table on page 2 of the Announcement the Company had incorrectly computed the value-at-risk of the Lease without aggregating the value of the contract for its full 1-year term. Based on the value-at-risk of the Lease for the full-year, the Lease would be an IPT that would need to be immediately announced when it was entered into on 1 November 2023. Please explain how the Company is in compliance with Listing Rule 905 and disclose all the information required under Listing Rule 917 accordingly. Based on the value of IPTs conducted with under Listing Rule 905, please confirm whether the aggregate value of all IPTs exceeds 5% of the Company's latest audited net tangible assets.

Company's response

The Lease was signed on 6 November 2023 for a retrospective lease which commenced on 1 November 2023. The Company took immediate steps to release information on the interested person transaction and released the announcement on 8 November 2023, to be in compliance with Rule 905 of the Listing Manual.

Please see below for the information required to be disclosed under Rule 917 of the Listing Manual:

(1) Details of the interested person transacting with the entity at risk, and the nature of that person's interest in the transaction.

Rental of premises under the Lease by Daju Logistics from Fengchi IOT:

Entity-at-risk	:	Daju Logistics (which is an associate company of the Company (49% through Pavillon Business Development)).
Interested Person	:	Fengchi IOT (which is an associate company of Mr Ding Furu (51% through Shanghai Liuyu)).
Nature of Interested Person's interest	:	Fengchi IOT is the recipient of the rental amounts under the Lease.

Based on the above, while the Lease is an interested person transaction, as Fengchi IOT (which is an associate company of the Company (49% through Tianjin Pavillon Assets)) is the recipient of the rental amounts of the Lease, there is no amount at risk to the Company due to its shareholding interest of 49% in each of Fengchi IOT (as the landlord) and Daju Logistics (as the tenant).

(2) Details of the transaction including, where applicable, the book value, the net profits attributable to the assets and the latest available open market value, relevant terms of the transaction, and the bases on which the terms were arrived at.

The principal terms of the Lease are as follows:

Landlord	:	Fengchi IOT
Tenant	:	Daju Logistics.
Location of premises	:	In Tianjin Logistics Hub, which is located in Dongjiang Port Area in Tianjin, PRC (approximately 50 km from the central of Tianjin city central).
Rental rate of premises	:	RMB390,000 per month. The rental amount under the Lease is not agreed on an arms' length basis and is not on normal commercial terms. This is because the rental amount is commercially agreed between

		Fengchi IOT and Daju Logistics taking into consideration the relationship between the two (2) entities, being associated companies of the Company where the Company holds a similar shareholding interest of 49% in each of the entities and Mr Ding Furu also holding similar shareholding interest of 51% in each of the entities. The Lease is a transaction to ensure that both entities benefit from the arrangement and therefore, the rental rate has been determined accordingly. No independent valuation was obtained by the Company.
Term of Lease	:	One (1) year commencing on 1 November 2023.

(3) The rationale for, and benefit to, the entity at risk.

Fengchi IOT is the owner of the logistics hub comprising a warehouse, an office tower and exhibition areas in Dongjiang Port Area in Tianjin, PRC.

Daju Logistics is principally engaged in domestic freight forwarding agency, import and export of goods, non-residential real estate leasing, conference and exhibition services, auto-parts retail, information consulting services (excluding licensed information consulting services), car sales and new energy vehicle sales.

The Lease is a transaction between Fengchi IOT and Daju Logistics (both of which are associated companies of the Company where the Company holds a similar shareholding interest of 49% in each of the entities), where the provision of the Lease by Fengchi IOT is complementary to Daju Logistics' business.

**(4) (a) A statement: (i) whether or not the audit committee of the issuer is of the view that the transaction is on normal commercial terms, and is not prejudicial to the interests of the issuer and its minority shareholders; or (ii) that the audit committee is obtaining an opinion from an independent financial adviser before forming its view, which will be announced subsequently.
(b) Transactions that satisfy Rule 916(1), (2) and (3) are not required to comply with Rule 917(4)(a).**

(a)

(i) The Audit and Risk Committee (save for Mr Ding Furu) having reviewed, amongst others, the terms and conditions, background to, rationale for and benefits of the Lease as an interested person transaction and after discussions with the management of the Company, is of the opinion that while the Lease is not entered into on an arms' length basis or on normal commercial terms, the Lease is not prejudicial to the interests of the Company and its minority shareholders as it is entered into as a commercial arrangement for both Fengchi IOT and Daju Logistics (both of which are associated companies of the Company where the Company holds a similar shareholding interest of 49% in each of the entities). Accordingly, there is also no amount at risk to the Company.

(ii) No independent financial adviser was engaged by the Company in relation to the Lease and the Audit and Risk Committee's opinion on the Lease.

(b) Noted. Rules 916(1), (2) and (3) are not applicable to the Lease as (i) the Lease is not supported by a valuation carried out by a property valuer; (ii) the Lease is not an investment in a joint venture with an interested person; and (iii) the Lease is not a provision of a loan to a joint venture with an interested person.

(5) The current total for the financial year of all transactions with the particular interested person whose transaction is the subject of the announcement and the current total of all interested person transactions for the same financial year.

As at the date of this announcement, the total value of all interested person transactions with Mr Ding Furu or any of his associates (including Fengchi IOT and Daju Logistics) for the current financial year ending 31 December 2023 is approximately RMB 22.2 million (equivalent to approximately (S\$4.2 million).

This amount represents approximately 9.16% of the audited net tangible assets of the Group for the financial year ended 31 December 2022 (being the latest audited net tangible assets amounting to approximately S\$58.7 million). Please also refer below to the breakdown of this amount.

The above amount takes into consideration the below:

- (a) approximately RMB 18.2 million (equivalent to approximately (S\$3.44 million) being the loan and interest repayment from Fengchi IOT under the existing loan (as described in the circular dated 21 July 2022 as issued by the Company, where such interested person transaction was approved specifically by the independent shareholders); and
- (b) RMB 4 million (equivalent to approximately S\$766K), being the capital injection into Daju Logistics on a proportionate basis of the Company's interest in the joint venture, which is exempted from Rule 906 of the Listing Manual pursuant to Rule 916(2) of the Listing Manual.

The above amount does not include the rental amounts of (a) RMB 3.82 million (equivalent to approximately (S\$734,000) which was paid by Daju Logistics to Fengchi IOT (based on 49% of the Company's shareholding interest) under the previous lease; and (b) RMB 2.3 million (equivalent to approximately (S\$440K) which is payable by Daju Logistics to Fengchi IOT (based on 49% of the Company's shareholding interest) under the Lease, for the current financial year ending 31 December 2023, as there is no amount at risk to the Company under these leases based on the analysis as set out in this announcement.

Based on the above, the interested person transactions entered into by the Group with Mr Ding Furu or any of his associates (including Fengchi IOT and Daju Logistics) for the current financial year ending 31 December 2023 (a) have been specifically approved by the independent shareholders of the Company; (b) are exempt from compliance with Rule 906 of the Listing Manual pursuant to Rule 916(2) of the Listing Manual; or (c) have no amount at risk to the Company and therefore will not require independent shareholders' approval under Rule 906 of the Listing Manual.

There are no other interested person transactions entered into by the Group for the financial year ended 31 December 2023.

- (6) ***Where the issuer accepts a profit guarantee or a profit forecast (or any covenant which quantifies the anticipated level of future profits) from the vendor of businesses / assets, the information required in Rule 1013(1). The issuer must also comply with Rule 1013(3).***

No profit guarantee or profit forecast was provided in relation to the Lease, and Rules 1013(1) and 1013(3) of the Listing Manual are not applicable to the Lease as it is not a "transaction" for the purposes of Chapter 10 of the Listing Manual.

SGX Query (3)

Listing Rule 917 requires the Company to disclose the bases on which the terms of the Lease were arrived and whether the Company's audit committee is of the view that the transaction is on normal commercial terms or that it is obtaining an opinion from an independent financial adviser before forming its view and this will be announced subsequently. In this regard, we note that the Lease is at RMB390,000 per month is significantly lower than that of the previous lease at RMB850,000, which the Company had previously represented was supported by a valuation conducted by a property valuer. Please disclose:

- (a) **The bases on which the terms of the new Lease were arrived, why the rate is significantly lower than the previous lease and whether this new rate is supported by a valuation by a property valuer. If it is supported by a property valuer, please disclose the identity of the valuer, the valuation, the valuation methodology applied to derive the valuation and the valuation date. Please also disclose the valuer's explanation regarding the significantly lower rate in the current lease compared to the previous one.**

- (b) **The audit committee's view on whether the transaction is on normal commercial terms, the bases of their view and whether it is obtaining an opinion from an independent financial adviser.**

Company's response

Please refer to the Company's response to SGX Query (3) under sub-paragraphs (2) and (4(a)) above in relation to the rental rate of the premises under the Lease and the Audit and Risk Committee's opinion on the Lease, respectively.

SGX Query (4)

Based on the significantly reduced rental of only RMB390,000 per month, please disclose the impact of this reduction in rental income on the valuation of the Group's investment in Fengchi IOT and whether there will be a significant impairment. If so, please quantify accordingly.

Company's response

Any impact on the valuation of the Group's investment in Fengchi IOT will be determined upon appointment of a valuer for the purposes of valuing the property held by Fengchi IOT. The Company will appoint a valuer for the FY 2023 year-end valuation before the end of FY 2023.

The Company will provide updates to its shareholders in compliance with the Listing Manual (and where necessary, in relation to any significant impairments expected for its financial statements ending 31 December 2023).

By Order of the Board

Dr John Chen Seow Phun
Executive Chairman

20 November 2023