

PAVILLON HOLDINGS LTD

Half-Year Results Financial Statement And Dividend Announcement

PART I - INFORMATION REQUIRED FOR HALF-YEAR AND FULL YEAR RESULTS ANNOUNCEMENTS

1(a) An income statement and statement of comprehensive income or a statement of comprehensive income, for the group together with a comparative statement for the corresponding period of the immediately preceding financial year.

Financial statements for the 6 months ended 30 June 2019

	Group		
	S\$'000	S\$'000	%
	Jan 2019 - June 2019	Jan 2018 - June 2018	Increase/ (Decrease)
Revenue (Note 1)	6,820	7,412	-8.0%
Other items of income			
Interest income	257	68	277.9%
Other income	85	116	-26.7%
Items of expenses			
Raw materials and changes in inventories	(2,368)	(2,459)	-3.7%
Employee compensation	(3,572)	(3,626)	-1.5%
Depreciation expense	(394)	(258)	52.7%
Finance expenses	(6)	(14)	-57.1%
Currency exchange (loss)/gain	(25)	21	NM
Other operating expenses	(2,863)	(2,318)	23.5%
Total expenses	(9,226)	(8,654)	6.6%
Share of loss of associated companies	-	81	NM
Loss before income tax (Note 2)	(2,064)	(977)	111.3%
Income tax expense (Note 3)	(90)	(127)	-29.1%
Net Loss (Note 4)	(2,154)	(1,104)	95.1%
Other comprehensive income			
Foreign currency translation gain/(loss)	(845)	541	NM
Total comprehensive loss for the period	(2,999)	(563)	432.6%
Net Loss attributable to:			
Owners of the parent	(1,731)	(1,016)	70.3%
Non-controlling interests	(423)	(88)	
	(2,154)	(1,104)	95.1%
Total comprehensive loss for the period			
Attributable to :			
Owners of the company	(1,986)	(334)	494.7%
Non-controlling interests	(1,014)	(229)	342.8%
	(3,000)	(563)	432.9%
Earnings per share attributable to owners of the Company	Cts	Cts	
Basic	(0.45)	(0.26)	
Diluted	(0.45)	(0.26)	

Note 1: Revenue and Profit Before Taxation

	Restaurant	Corporate and franchising	Leasing	Properties	Total
2019 Jan to Jun	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Revenue	6,423	101	68	228	6,820
(Loss)/profit before taxation	24	(575)	(698)	(816)	(2,065)
2018 Jan to Jun					
Revenue	6,571	70	817	(46)	7,412
(Loss)/profit before taxation	306	(713)	367	(937)	(977)

Note 2: Loss before taxation is stated after charging/(crediting) the following:-

Depreciation of property, plant and equipment
Interest income

Group		
S\$'000	S\$'000	%
Jan 2019 - June 2019	Jan 2018 - June 2018	Increase/(Decrease)
394	258	52.7%
(257)	(68)	277.9%

Note 3: Taxation

Current period
Total

Group		
S\$'000	S\$'000	%
Jan 2019 - June 2019	Jan 2018 - June 2018	Increase/(Decrease)
(90)	127	-170.9%
(90)	127	-170.9%

Note 4: Revenue and Profit/(Loss) After Taxation

	Restaurant	Corporate and franchising	Leasing	Properties	Total
2019 Jan to Jun	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
(Loss)/profit after taxation	(47)	(575)	(715)	(817)	(2,154)
2018 Jan to Jun					
(Loss)/profit after taxation	199	(632)	224	(895)	(1,104)

NM: 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	
	30-06-19	31-12-18
	S\$'000	S\$'000
ASSETS		
Current assets		
Cash and cash equivalents	32,309	20,980
Trade and other receivables	13,090	12,636
Inventories	857	992
	<u>46,256</u>	<u>34,608</u>
Non-current assets		
Trade and other receivables	218	320
Property, plant and equipment	6,050	2,963
Land-use rights	12,084	12,376
	<u>18,352</u>	<u>15,659</u>
TOTAL ASSETS	<u>64,609</u>	<u>50,266</u>
LIABILITIES		
Current liabilities		
Trade and other payables	24,085	6,686
Current income tax liabilities	392	482
Borrowings	39	40
Provisions	119	99
	<u>24,635</u>	<u>7,307</u>
Non-current liabilities		
Deferred tax liabilities	80	79
Trade and other payables	239	225
Provisions	99	99
	<u>418</u>	<u>403</u>
Total liabilities	<u>25,053</u>	<u>7,710</u>
NET ASSETS	<u>39,556</u>	<u>42,555</u>
EQUITY		
Capital and reserves attributable to equity holders of the Company		
Share capital	39,433	39,433
Other reserves	3,930	4,186
Accumulated losses	(13,026)	(11,297)
	<u>30,337</u>	<u>32,322</u>
Non-controlling interests	<u>9,219</u>	<u>10,233</u>
TOTAL EQUITY	<u>39,556</u>	<u>42,555</u>

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.

	Company	
	30-06-19	31-12-18
	S\$'000	S\$'000
ASSETS		
Current assets		
Cash and cash equivalents	1,741	1,119
Trade and other receivables	2,348	3,337
	<u>4,089</u>	<u>4,456</u>
Non-current assets		
Trade and other receivables	15	16
Investments in subsidiary corporations	27,678	27,657
	<u>27,693</u>	<u>27,673</u>
TOTAL ASSETS	<u>31,782</u>	<u>32,129</u>
LIABILITIES		
Current liabilities		
Trade and other payables	1,470	1,245
	<u>1,470</u>	<u>1,245</u>
Non-current liabilities		
Trade and other payables	80	80
	<u>80</u>	<u>80</u>
Total liabilities	<u>1,550</u>	<u>1,325</u>
NET ASSETS	<u>30,232</u>	<u>30,804</u>
EQUITY		
Capital and reserves attributable to equity holders of the Company		
Share capital	39,433	39,433
Accumulated losses	<u>(9,201)</u>	<u>(8,629)</u>
TOTAL EQUITY	<u>30,232</u>	<u>30,804</u>

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

As at 30/6/2019, the group has a net borrowing of S\$40,000

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	
	Jan 2019 - Jun 2019	Jan 2018 - Jun 2018
	S\$'000	S\$'000
Cash flows from operating activities :		
Net loss	(2,154)	(977)
Adjustments for :		
Depreciation of property, plant and equipment	394	258
Income tax expense	90	(127)
Interest income	(257)	(68)
Share of loss/(profit) of associate	-	88
Unrealised currency translation difference	(847)	321
Operating profit/loss before working capital changes	(2,774)	(505)
Change in working capital		
Inventories	136	525
Trade and other receivables	(303)	(5,411)
Trade creditors	(66)	4,055
Other creditors and accruals	17,417	-
Cash flows from/(used in) operations	14,410	(1,336)
Income taxes paid	(142)	(462)
Net cash flows from/(used in) operating activities	14,269	(1,798)
Cash flows from investing activities		
Additions of property, plant and equipment	(3,192)	(471)
Interest received	257	68
Net cash provided/(used) by investing activities	(2,935)	(402)
Cash flows from financing activities		
Short term loan	(1)	(3,491)
Repayment of finance lease obligation	(6)	-
Net cash provided/(used) by financing activities	(7)	(3,491)
Net increase/(decrease) in cash and cash equivalents	11,327	(5,691)
Beginning of the financial year	20,982	12,111
Cash and cash equivalents at end of the financial year	32,309	6,420

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

GROUP	Attributable to owners of the Company						
	Share capital S\$'000	Foreign currency translation reserve S\$'000	Capital reserve S\$'000	(Accumulated losses)/Retained profits S\$'000	Total S\$'000	Non-controlling interests S\$'000	Total equity S\$'000
2019							
Balance as at 1 January 2019	39,433	(1,897)	6,081	(11,294)	32,323	10,233	42,556
Loss for the period	-	-	-	(1,732)	(1,732)	(423)	(2,156)
<u>Other comprehensive income</u>							
Foreign currency translation	-	(254)	-	-	(254)	(591)	(845)
Total other comprehensive income for the period, net of tax	-	(254)	-	-	(254)	(591)	(845)
Total comprehensive income for the period		(254)	-	(1,732)	(1,986)	(1,014)	(3,000)
Balance as at 30 Jun 2019	39,433	(2,151)	6,081	(13,026)	30,337	9,219	39,556
2018	S\$'000		S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Balance as at 1 January 2018	39,433	(1,282)	3,478	(111)	41,518	8,629	50,147
Loss for the period	-	-	-	(1,016)	(1,016)	(88)	(1,104)
<u>Other comprehensive income</u>	-	-	-	-	-	-	-
Foreign currency translation	-	400	-	-	400	-	400
Total other comprehensive income for the period, net of tax	-	400	-	-	400	-	400
Total comprehensive income for the period	-	400	-	(1,016)	(616)	(88)	(704)
<u>Changes in ownership interest in subsidiaries</u>	-	-	-	-	-	-	-
Acquisition of non-controlling interests	-	141	-	-	141	(141)	-
Total contributions by and distributions to owners	-	141	-	-	141	(141)	-
Balance as at 30 Jun 2018	39,433	(741)	3,478	(1,127)	41,043	8,400	49,443

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

COMPANY	Share capital S\$'000	Revenue reserve S\$'000	Total equity S\$'000
2019			
Balance as at 1 January 2019	39,433	(8,629)	30,804
Loss for the period, representing total comprehensive income for the period	-	(572)	(572)
Balance as at 30 Jun 2019	39,433	(9,201)	30,232
2018	S\$'000	S\$'000	S\$'000
Balance as at 1 January 2018	39,433	(1,746)	37,687
Loss for the period, representing total comprehensive income for the period	-	(612)	(612)
Balance as at 30 Jun 2018	39,433	(2,358)	37,075

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.

	30-06-19		30-06-18	
	No. of shares	Capital S\$	No. of shares	Capital S\$
Issued Share Capital	387,748,700	39,433,461	387,748,700	39,433,461
Balance as at beginning of the period	387,748,700	39,433,461	387,748,700	39,433,461
Balance as at end of the period	387,748,700	39,433,461	387,748,700	39,433,461

There is no outstanding convertible treasury shares and subsidiary holdings 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.

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.

	30-06-19	30-06-18
Balance as at beginning of the period	387,748,700	387,748,700
Balance as at end of the period	387,748,700	387,748,700

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.

	30-06-19	30-06-18
Balance as at beginning and end of the period	-	-

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 neither been audited nor reviewed by our auditors.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of 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 reporting period as compared to the audited financial statements as at 31 December 2018.

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.

Please refer to item 4 above.

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	
	Jan 2019 - Jun 2019	Jan 2018 - Jun 2018
Profit per ordinary share for the period after deducting any provision for preference dividends:-		
(i) Based on the weighted average number of ordinary shares on issue	-0.45 cts	-0.26 cts
(ii) On a fully diluted basis (detailing any adjustments made to the earnings)	-0.45 cts	-0.26 cts

(To disclose the basis used in arriving at the weighted average number of shares for the purposes of (6)(i) above and to provide details of any adjustments made for the purpose of (6)(ii) above)

Note to 6(i) and 6 (ii)

Basic and fully diluted earnings per share is calculated by dividing the Group's net loss attributable to equity holders of the Company amounting to S\$1.7m (2018: net loss S\$1m) by the weighted average number of ordinary shares in issue as at 30 Jun 2019 of 387,748,700 (2018: 387,748,700) shares.

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	
	As at 30/6/2019	As at 30/6/2018	As at 30/6/2019	As at 30/6/2018
	Cts	Cts	Cts	Cts
Net asset value per ordinary share based on existing issued share capital as at the end of the financial year reported on.	7.82	10.58	7.80	9.56

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

Revenue

Total revenue of the Group decreased by approximately S\$590k as compared to the period ended 30/06/2018 mainly due to the following reasons :

- i) Revenue from Singapore restaurant operations decreased by approximately S\$200K as compared to 30/6/2018 due to slower market for Food and Beverages business in 2019.
- ii) Revenue from China operations decreased by approximately S\$390k due to reduce financial leasing business in 2019.

Interest income

Interest income increased by approximately S\$189k due to larger funds placed in fixed deposit in China companies as compared in 2018.

Other income

Other income decreased by approximately S\$31k mainly due to lower grants given from Government for local companies.

Raw materials and changes in inventories

Raw materials consumption reduced due to slower market for Food and Beverages business in 2019.

Employee compensation

Employee compensation cost decreased by S\$53k mainly due to decreasing staff overheads in China leasing operations.

Depreciation expenses

Increase of S\$136K mainly due to depreciation of leasehold land.

Finance expenses

Finance expenses decreased by S\$8K due to lesser bank charges incurred from China companies

Other operating expenses

Other operating expenses increased by S\$545k mainly due to :

- i) lawyer fees incurred by China subsidiaries.
- ii) increased cleaning expenses for F & B outlets in Singapore.
- iii) new construction in process expenses incurred.

Share of results of associated companies

As compared to the corresponding period last year, there is no share of profit as we have completed the acquisition of Pavillon State Research Financial Leasing Co, Ltd in 2018.

Review of Financial Position as at 30 Jun 2019

Property, plant and equipment

Increment of fixed assets net book value from S\$3m to S\$6m mainly due to capitalisation of construction cost for the Tianjin logistics hub project

Inventories

Reduction in inventories holding is due to slower market for Food and Beverages business in 2019.

Land-use Rights

Reduction of land-use right mainly due to amortisation of the leasehold land 2019.

Cash and Cash equivalents

Increased of cash and cash equivalent mainly due to receipt of advance payment from investor.

Liabilities**Trade and other payables - Current**

Trade and other payable increased by S\$17m as compared to 30/6/2018 due to advance payment from investor.

Borrowings

Incurred of short term loan of S\$40k in 2019 for China companies.

Review of Consolidated Cash Flows

Net cashflow from operating activities mainly due advance payment from investor.

Net cashflow of used in investing activities mainly due to acquisition of new fixed assets

Cash and cash equivalent as at 30 Jun 2019 was S\$32m as compared to S\$6m as at Jun 2018.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

Consistent with previous statements.

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 F&B industry in Singapore remains competitive and challenging. Due to the uncertainty of global economy situation, management is working towards streamlining its financial leasing business and focus on developing its logistic business in China, and seeking other business opportunities in the region.

11. If a decision regarding dividend has been made :-

(a) Whether an interim (final) ordinary dividend has been declared (recommended); and
No dividends declared during the year.

(b) (i) Amount per share: Not applicable
(ii) Previous corresponding period: None

(c) Whether the dividend is before tax, net of tax or tax exempt. If before tax or net of tax, state the tax rate and the country where the dividend is derived. (If the dividend is not taxable in the hands of the shareholders, this must be stated.)

Not applicable.

(d) The date the dividend is payable.

Not applicable.

(e) The date on which the Registrable Transfers received by the company (up to 5:00pm) will be registered before entitlements to the dividend are determined.

Not applicable.

12. If no dividend has been declared (recommended), a statement to that effect and the reason(s) for the decision.

The company is not profitable and the capital are required for operational and development of business. Therefore the company will not be declaring any dividend.

13. If the Group has obtained a general mandate from shareholders for Interested Person Transactions ("IPT"), 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 Company and the Group do not have any general mandate from shareholders pursuant to Rule 920.

14. Negative confirmation pursuant to Rule 705(5).

The Board of Directors has confirmed that, to the best of their knowledge, nothing has come to their attention which may render the financial statements for the year ended 30 June 2019 of the Group and the Company to be false or misleading in any material aspects.

15. 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 issuer has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720(1).

BY ORDER OF THE BOARD
Lee Tong Soon
Managing Director
07-Aug-19