

PAVILLON HOLDINGS LTD.

(Company Registration No. 199905141N)
(Incorporated in the Republic of Singapore)

**RESPONSE TO QUESTIONS RECEIVED FROM SHAREHOLDERS PRIOR TO THE
AGM SCHEDULED ON 26 APRIL 2022 BY ELECTRONIC MEANS**

The Board of Directors (the “**Board**”) of Pavillon Holdings Ltd. (the “**Company**”) would like to thank shareholders and members who have submitted questions in advance for the Annual General Meeting (“AGM”) scheduled to be held on 26 April 2022 at 3.00 p.m. by electronic means.

The Company’s response to the relevant and substantial questions submitted before 3.00 p.m. on 18 April 2022 is set out below:

Question 1

Would the non-completion of the placement to Mr. Ding result in the company not being able to continue as a going concern? Would the non-completion of the placement to Mr. Ding result in the company’s shares being suspended?

Reply:

Please refer to page 3 Chairman statement and page 18 Key audit matters.

Currently, Pavillon Holdings Ltd’s associated company: Fengchi IOT Management Co Ltd (IoT) has payments due in 2022 of slightly more than RMB 200M. Due to external economic factors, and the Covid policies of the Chinese authority, IoT is not able to generate enough cash flow to meet its Construction financing payable and repayment of bank loan (Please refer to the announcement dated 10 March 2022.)

Therefore, if the placement to Mr. Ding fails, the book value of our Chinese assets may have to be written down drastically. However, we cannot comment at present whether the company’s shares will be suspended in such an event.

Question 2

What are the company’s plans if the placement to Mr Ding does not materialize?

Reply:

The Company would continue to raise funds.

Question 3

I see that the company is doing many disparate businesses - it is in the restaurant business, leasing business, property business and I read it even has a car washing business. Why is the company in so many different and diversified industries? Are there synergies between these disparate businesses? Could you enlighten shareholders what these synergies might be?

Reply:

The Company started as a restaurant business. In the year 2014, the Company brought in new investors by way of a share placement. The rationale is to diversify into other business sectors. The shareholders have approved such diversifications into property development, financial leasing, logistics and related businesses.

To date, the group has diversified into providing financing for the parallel import of cars. It has also developed a logistics hub in the Tianjin Dongjiang bonded area for the provision of storage, exhibition and other services for parallel-import cars. These services are synergistic in that we are targeting at the same pool of clients.

The car washing business, which is related to our automotive business, is an extension of the services we provide to our clients and other car owners.

Question 4

Please elaborate what is the company's competitive advantage in each of these disparate businesses (indicated above).

Reply:

Once IoT is able to set up all the services, IoT will be able to provide integrated business services from financing, logistics, customs clearance, inspection, storage, repair, and maintenance for the customers. In the long run, it offers more convenience and cost-saving for the customers, and in turn boost IoT's business.

Question 5

Have the company evaluated whether it has sufficient skilled manpower, talents and resources to be in all these disparate businesses (listed above). Please elaborate why the company thinks it has.

Reply:

The Company only recruits people who have experience in the field. However, due to the current economic situation, the company is running on a tight budget, and for cost control purposes, we have to be circumspect in our recruitment exercises.

Question 6

I note that COVID situation has worsened quite significantly in China of late. How is the COVID situation affecting our operations in China? Would there be shortage of workers and delay in schedule due to employees of Pavillon contracting COVID? How is the company dealing with the shortage of manpower issues brought about by COVID? What level of capacity are our China-based businesses currently operating at?

Reply:

For F & B side in Singapore, we are managing it. So far, we have enough services staff.

As for China operations, we are running on a tight manpower budget not so much due to covid but operational considerations.

Question 7

I read in the news that China is sticking to a zero COVID policy. Would this positively or negatively impact our business in China?

Reply:

The Covid 19 has been negatively impacting our business in China.

Question 8

Due to China's worsening covid situation, is the company receiving wage support from the Chinese Government? If so, how much and until when? Is the company still receiving rental relief from the Landlord? If so, how much and until when?

Reply:

For the China side, the Chinese authority has reduced the employer's portion of the social security contribution from February 2020 to April 2022. The initial reduction was 67%. It has come down to 10% by April 2022.

From Singapore F & B side, the company received 25% rental rebate during the heightened Alert Period and also a 2 more weeks' rental rebate from the landlord.

Question 9

For our restaurants in Singapore, based on recent months, what is the estimate of current revenue, as a percentage of pre-COVID level?

Reply:

Based on the last few months, restaurant business in Singapore has recovered to around pre-Covid situation.

Question 10

It is stated in the announcement dated 10 March that "Whilst the Group expects to increase the operations of the Warehouse through its marketing efforts and plans for sourcing more tenants, the Group does not expect the Warehouse operations to be profitable for the financial year ending 31 December 2022". When does the company envisage for the warehouse operations to be profitable?

Reply:

In order for the warehouse business to be profitable, it depends on a few factors.

The external economic factor that will affect the sentiments of car buyers and the willingness of parallel importers to import cars.

The profitability of warehouse operations also depend on how much or how soon the Chinese authorities will ease their Covid 19 policies. At the present, the policies have restricted human movement and therefore have negatively affected the business of IoT.

Question 11

Given the huge loss for the FY and the negative audit comments, besides a "10% reduction in directors' remuneration for the financial period from 1 March 2022 to 30 September 2022", what other cost-cutting measures have been implemented or proposed to be implemented? Please elaborate, if any.

Reply:

Please refer to our responses to questions 5 & 6 to control manpower costs.

By Order of the Board

Lee Tong Soon
Managing Director

22 April 2022