

RESPONSE TO QUESTIONS RECEIVED FROM SHAREHOLDERS PRIOR TO THE ANNUAL GENERAL MEETING SCHEDULED ON 21 APRIL 2021 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 21 April 2021 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 19 April 2021 is set out below:

A. Questions from Shareholder 1

Question 1

My questions below mainly relates to remuneration:

I note that employee compensation has decreased from 6.6 million SGD to 5.6 million SGD (page 50). This decrease is appropriate given business is impacted by COVID-19.

However, the remuneration for individual directors has risen, very surprisingly. (figures taken from AR 2020 and AR 2019)

The remuneration for Mr Lee Tong Soon increased from the band of \$250k to \$449k to the band of \$500k to \$749k.

The remuneration for Mr Zheng Feng Wen increased from the band of below \$250k to the band of \$250k to \$499k

The company is **not profitable** and **incurred a loss of 5.074 million sgd**, and the turnover of the company fell to a five year low. There was understandably **no dividend** declared. However, very surprisingly, and curiously, the remuneration for certain directors and management saw counterintuitive increases.

Please explain and justify the increases in remuneration for Mr Lee Tong Soon and Mr Zheng Feng Wen and other personnel who saw salary increases.

Reply:

Based on Mr. Lee’s services agreement, he is entitled to replace a new company car every three years. However, in view of the company situation, Mr. Lee continued to use the old company car for a few more years. In January 2020, due to high maintenance cost of the old company car, the Company had purchased a new car for his use. The cross over from the band of \$250k to \$499k to the band of \$500k to \$749k was due to the depreciation of the new car in FY2020.

Mr. Zheng was an executive director before he relinquished his executive directorship on 1 October 2019. However, he continued as Advisor for Real Estate and Finance Business since then. In the 2019 annual report, due to the above changes, we have split his remuneration between Director's remuneration and key management personnel. In FY2020, his remuneration came under key management personnel only. This has placed him in the band of \$250k to \$499k though there was no increase in his remuneration.

Question 2

What is the remuneration policy of the company, is it performance based?

Reply:

Yes, the remuneration policy is performance based with profit sharing.

Question 3

And on what grounds/basis are the remuneration committee assenting to these pay increases?

Reply:

There was no increase in remuneration of Directors and Key Management Personnel in FY2020.

Question 4

Finally, it also does not help the morale of rank and file employees to know that certain senior management are having pay increases whilst lower management are forced to take pay cuts. (evident since total employee compensation decreased by 1million sgd yet certain individuals remuneration are bumped up to higher bands)

Reply:

In FY2020, the senior management had led the way by taking the largest percentage of pay cut as compared to other rank and file employees.

Question 5

Is the company still receiving wage support from the Government? If so, how much and until when?

Reply:

Yes, the Company has been receiving Jobs Support Scheme ("JSS")'s credit from Government with the latest payment received in March 2021.

As mentioned in the Budget 2021, JSS was extended by up to 6 months for firms in Tiers 1 and 2 sectors, covering wages paid from April 2021 to September 2021. Our F & B business fall into Tier 2 sector.

We will publish the amount received from Government in our half-yearly results announcement.

Question 6

Is the company still receiving rental relief from the Landlord? If so, how much and until when?

Reply:

For FY2021, the Company will no longer receive rental relief from the landlord.

Question 7

Based on recent months, what is the estimate of current revenue, as a percentage of pre-COVID level?

Reply:

For Q1 of 2021 comparing to Q1 of 2019 (pre-COVID), we have obtained about 90% of pre-COVID F & B revenue.

B. Questions from Shareholder 2

Question 1

It seems that the restaurant business has been downgraded as a side/fringe business in the group with no active plans of expansion. Is there plan to sell the whole business to investors/groups which are keen to leverage the brand new of Thai Village?

Reply:

The restaurant business is still one of the core businesses of the Group. Its business has recovered about 90% of pre-COVID sales. We are always looking for new F&B concepts. Currently, there is no plan to sell the restaurant business.

Question 2

In the annual report 2020, it was mentioned that "Moving forward, the Group will be concentrating efforts on the logistics hub in China." Given the track record of business failure/write-off/impairment of the group, there is a high possibility that this is yet another unsuccessful venture. What would be the potential amount of write-off/impairment if this venture fails to take off?

Reply:

The carried value in the balance sheet is S\$22.2 million as at 31 December 2020. This represents our share of investment in our logistics hub.

We have completed the building of our logistics hub and obtained the property title.

If the venture fails, the potential write off/impairment will depend on the market conditions at the point of sales of our investment.

C. Questions from Shareholder 3

Question 1

how will the board enhance shareholder value given the extremely depressed share price recently?

Reply:

Moving forward, the Group will be concentrating efforts on the logistics hub in China. Although social distancing measures have slowed down the construction process, it is now completed and we have successfully obtained the Temporary Occupation Permit (TOP) and property titles. We are now actively seeking business partners to operate and offer a full suite of services at the hub – logistics, transport and warehousing, financial leasing, vehicle inspection and certification services, car exhibition and showroom, office rental, as well as secretarial and bookkeeping services.

By Order of the Board

Lee Tong Soon
Managing Director

20 April 2021