Pavillon Holdings Ltd.

# FORGING *AHEAD* with Determination

ANNUAL REPORT 2023

PAVILLON HOLDINGS LTD. • FORGING AHEAD WITH DETERMINATION • ANNUAL REPORT 2023

# CONTENT

01
CORPORATE *MAP*

02
CHAIRMAN'S *MESSAGE*

04
OPERATIONS *REVIEW*

05
BOARD *OF DIRECTORS*

08
KEY *EXECUTIVES*

09
FINANCIAL *HIGHLIGHTS*

10
CORPORATE *INFORMATION*

11
THAI VILLAGE
*RESTAURANT PRESENCE*

12
FINANCIAL *STATEMENTS*

92
CORPORATE
*GOVERNANCE REPORT*

128
STATISTICS *OF*
*SHAREHOLDINGS*

130
NOTICE OF *ANNUAL GENERAL MEETING*
PROXY FORM

140
SUSTAINABILITY *REPORT 2023*

# CORPORATE *MAP*

**Pavillon Holdings Ltd**

- **Self-Managed Restaurants**
  - **SINGAPORE**
    Goodwood Park
    Indoor Stadium
- **Franchisee Restaurants**
  - **CHINA**
    (Shanghai)
    Yangpu
    Huangpu
  - **VIETNAM**
    Ho Chi Minh City
    Hanoi
- **Property Business**
  - **CHINA**
    Tianjin

# CHAIRMAN'S *MESSAGE*

## DEAR *SHAREHOLDERS*

On behalf of the Board of Directors of Pavillon Holdings Ltd. ("the Group"), we are pleased to present the annual report of the Group for the financial year ended 31 December 2023 ("FY 2023").

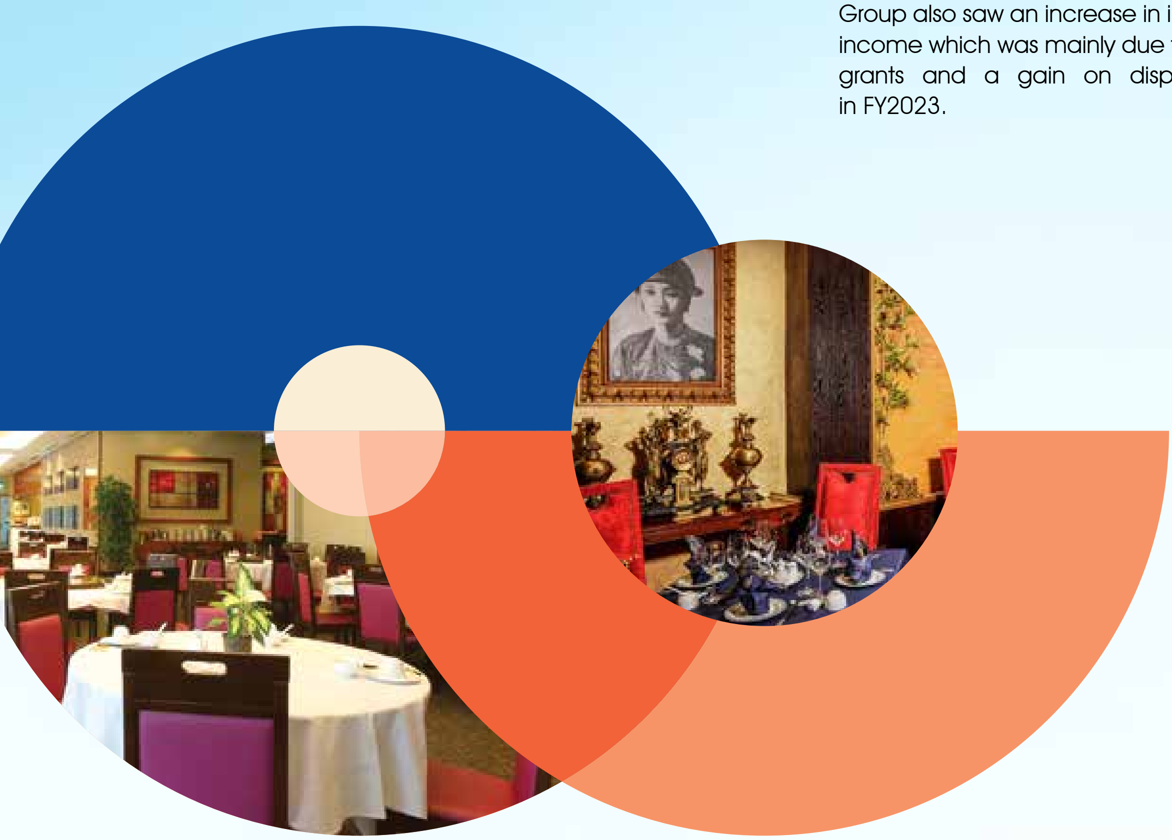
The year was marked by increasing volatility in the geopolitical environment resulting in inflationary pressures felt on a global scale. The Singapore economy weathered the storm in 2023 and grew 1.2%, avoiding a recession amid a global economic slowdown.

The lifting of COVID-19 measures globally, including the zero-COVID policy in China in January 2023, has boosted private consumption and social activities everywhere. This allowed our restaurant business to achieve a new high in profits, even when compared to pre-COVID levels five years ago. However, China remains in a phase of subdued growth with its slumping real estate market and worsening job market.

Under the charge of New Development Hotel Management Pte. Ltd., we continue to focus on business fundamentals and reinforce efforts in operational efficiency and productivity..

## FINANCIAL *PERFORMANCE*

The Group attained a revenue of S$18.0 million, a 10.1% increase from S$16.3 million in the financial year ended 31 December 2022 ("FY 2022"). The increased revenue was largely due to the continued improvement of the restaurant business in Singapore on the back of higher business volumes and efficient cost management. The Group also saw an increase in interest income and other income which was mainly due to increased government grants and a gain on disposal of motor vehicles in FY2023.



**DR. JOHN CHEN SEOW PHUN**
***Executive Chairman***

Total expenses for the year totalled S$16.7 million, a 21.1% decrease from S$21.1 million in 2022. This is mainly due to currency exchange loss decreased by 62% to S$1.6 million by virtue of the slower depreciation of the RMB against SGD by 4% - as compared to 9% in 2022. This was on account of the translation of loans to associated companies, which are denominated in Chinese Yuan, into Singapore Dollars. In addition, there was an decrease in expenses on raw materials and changes in inventories, which is arising from better cost management of raw materials. Employee compensation cost was reduced by 6.9% to S$5.4 million, mainly due to streamlined operations and a reduction in the number of employees in China.

The 22% increase in finance expenses was largely due to the higher interest rate used in computing the lease liabilities on the renewal of leases of the restaurant at Goodwood Park.

With the slowdown in China's economy, Fengchi IOT Management saw a decrease in valuation. Even though capacity utilisation of the Tianjin logistic hub remains, the rent rate has since decreased amidst the precarious market conditions. This contributed mainly to a share of loss of associated companies of S$8.0 million.

Overall, the Group saw a net loss of S$4.7 million.

The total assets of the Group stand at S$62.2 million as at 31 December 2023, a slight decrease from S$66.0 million in the previous year. While current assets increased largely due to an increase in cash and cash equivalents, non-current assets decreased mainly due to a decrease in investments in associated companies. Total liabilities increased marginally from S$7.3 million to S$7.4 million. Overall, net assets stood at S$54.7 million, down from S$58.7 million in the previous year.

## FUTURE *PROSPECTS*

The Singapore economy is expected to maintain a cautiously optimistic outlook amidst global uncertainties in 2024. However, competition in the restaurant business in Singapore is expected to be tough. The Group will continue to drive efficiencies to remain competitive in its restaurant business.

As the macro-environment continues to evolve, the Group will work to leverage on the resources of New Development Hotel Management Pte Ltd to seek new opportunities in both China and the region.

With the continued popularity of electric vehicles (EVs) in China and across the world, the Group is looking into the trading of EVs, as well as parallel imported cars, to drive improved performance of China operations.

On the sustainability front, training and renewal of staff to retain talents and remain competitive is beginning to show success. The Group will double down on efforts to maintain these programs and initiatives, and continue to drive improvements in performance and service quality across the board.

## CONCLUSION

On behalf of the Board, we would like to thank the staff and management team for their dedication and diligence as we continue to steer through uncertain times. To our clients, business associates and shareholders, we would like to express our gratitude for your trust and confidence in us. Let us forge through together any challenges that may stand ahead in the coming year.

# OPERATIONS *REVIEW*

## TURNOVER *AND EARNINGS*

In the financial year ended 31 December 2023 ("FY2023"), the Group attained a revenue of S$18.0 million, a 10.1% increase from S$16.3 million in the financial year ended 31 December 2022 ("FY2022"). This was mainly due to increased revenue from restaurant operations.

Of the various business segments, restaurant operations contributed S$18.0 million in total revenue, up from S$16.3 million in FY2022. Taking into account raw materials and changes in inventories, employee compensation and other expenses, the food & beverage segment made a profit of S$4.5 million, up from the profit of S$3.7 million in FY2022.

Meanwhile, properties segment made a loss of S$7.3 million. This is mainly due to share of loss of an associated company, Fengchi IOT. Other segments made a loss of S$2.0 million which was mainly due to currency exchange loss of S$1.6 million as a result of the translation of loans to associated companies denominated in Chinese Yuan.

Overall, the combined profits and losses of the business segments saw a net loss of S$4.7 million.

On the Group level, total expenses decreased to S$16.7 million, a 21.1% decrease from S$21.1 million in FY2022. Expense in raw materials and changes in inventories decreased from S$5.8 million in FY 2022 to S$5.4 million in FY2023. Employee compensation decreased from S$5.8 million to S$5.4 million, while depreciation expenses decreased by 11.3% to S$1.3 million.

Finance expenses stood at S$154,000, an increase from S$126,000 in FY2022. The Group saw a currency exchange loss of S$1.6 million, down from the loss of S$4.3 million in the previous year. Other operating expenses also decreased, amounting to S$2.7 million, down from S$3.6 million in FY2022.

Share of loss of associated companies amounted to S$8.0 million, down from the share of profit of S$5.7 million in FY2022, which was due to fair value loss on investment properties of an associated company in FY2023. Taking into account income tax expenses of S$358,000, the total net loss for FY2023 stands at S$4.7 million.

## BALANCE SHEET *AND CASH FLOW*

As at 31 December 2023, current assets of the Group stand at S$8.5 million, up from S$6.9 million as at 31 December 2022, mainly due to an increase in cash and cash equivalents, as well as inventories. Non-current assets stand at S$53.7 million, down from S$59.1 million in the previous year. The decrease in non-current assets was mainly due to decrease in investments in associated companies as a result of the share of losses of associated companies. Total assets stand at S$62.2 million.

Current liabilities amount to S$5.3 million, while non-current liabilities stand at S$2.2 million. Total liabilities correspond to S$7.4 million as at 31 December 2023. This brings net assets to S$54.7 million, a slight decrease from S$58.7 million in FY2022. Total equity also decreased to S$54.7 million, down from S$58.7 million in the previous year.

Overall, cash and cash equivalents at the end of the financial year stood at S$5.7 million, up from S$3.6 million in FY2022.

# BOARD OF *DIRECTORS*


1


2


3


4


5


6

# BOARD OF *DIRECTORS*

## 1 DR. *JOHN CHEN SEOW PHUN*
Executive Chairman

Dr Chen was appointed as an Independent Director of the Company in December 2001 and was redesignated as Executive Chairman on 1 May 2012. He was the Assistant Secretary General of the NTUC from 1991 to 1997 and served as the Deputy Chairman and Managing Director of the NTUC Healthcare Co-op Ltd from 1992 to 1997. Dr Chen was a Member of Parliament from September 1988 to April 2006. From March 1997 to June 1999, he was the Minister of State for Communications. From June 1999 to November 2001, he was the Minister of State for Communications & Information Technology and Minister of State for National Development. Prior to joining the Government in 1997, Dr Chen has served as a Board Member of the Economic Development Board, the Housing and Development Board, the Port of Singapore Authority and Singapore Power Ltd. Dr. Chen holds a PhD in Electrical Engineering from the University of Waterloo, Canada. He taught at the National University of Singapore from 1983 to 1991.

## 2 MR *DING FURU*
Non-Executive and
Non-Independent Director

Mr Ding is appointed to the board on 4 Nov 2022 as Non-executive and Non-independent director.

Mr Ding is the sole shareholder and director of the New Development Hotel Management Pte. Ltd. Mr Ding is also a member of the Singapore Institute of Directors.

Mr Ding is a naturalised Singaporean and is based in Shanghai in the PRC, with investments in various industries, including property development and hotel ownership and development. Through his investments, he has majority interest in a public company listed on the Shanghai Stock Exchange, Vohringer Home Technology (菲林格尔) and is also the owner of various hotel properties in the PRC including Courtyard by Marriott Shanghai Fengxian, The JW Marriott Hotel Shanghai Changfeng Park and Fairfield by Marriott Shanghai JingAn.

## 3 MR *FRANCIS LEE FOOK WAH*
Lead Independent Director

Mr Francis Lee Fook Wah ("**Mr Francis Lee**") was appointed to the Board on 6 May 2022. Mr Francis Lee is also the Chairman of the Nominating Committee and Remuneration Committee, a member of the Audit and Risk Committee of the Company.

Mr Francis Lee is currently the chief financial officer and executive director of Vibrant Group Limited, a company listed on the SGX-ST. Mr Francis Lee is also currently an independent director of two (2) other companies listed on the SGX-ST, namely Asiaphos Limited and Joyas International Holdings Limited. He is also a non-executive non-independent director of Figtree Holdings Limited, a company listed on the SGX-ST and FM Global Logistics Holdings Berhad listed on Bursa Malaysia.

Mr Francis Lee was the chief financial officer of OKH Global Ltd., a company listed on the SGX-ST, from 2015 to 2017. Mr Francis Lee had also served as an independent director of Jes International Holdings Limited, Metech International Limited, Net Pacific Financial Holdings Limited and Sheng Siong Group Ltd, all of which are listed on the SGX-ST. Between 2005 and 2011, Mr Francis Lee was an executive director, finance director and chief financial officer of Man Wah Holdings Limited ("**Man Wah**"), a company listed on the SEHK, where he was responsible for the overall accounting functions and matters relating to its corporate regulatory compliance and reporting for the group. He remained on the board of Man Wah as a non-executive director until February 2012. Prior to that from 2001 to 2005, Mr Francis Lee was a credit and relationship manager with Bank of China Limited and also served as an investment and project manager with AP Oil International Limited. Mr Francis Lee began his career in 1990 in the Commercial Crime Division of the Criminal Investigation Department, where he served as a senior investigation officer, before moving on to Oversea-Chinese Banking Corporation Limited in 1993 as an assistant manager and subsequently moved on to Deutsche Morgan Grenfell Securities as a dealer's representative from 1994 to 2001.

Mr Francis Lee graduated from The National University of Singapore with a Bachelor's degree in Accountancy in 1990 and obtained a Master's degree in Business Administration (Investment and Finance) from The University of Hull in 1993.

Mr Francis Lee is a Chartered Accountant and a non-practising member of the Institute of Singapore Chartered Accountants. Mr Francis Lee is also a member of the Singapore Institute of Directors.

4 **MR *KONG WEILI***
Independent Director

Mr Kong was appointed to the board on 22 June 2022 as Independent Director.

Mr Kong was the Plant Financial Controller of Sanmina-SCI Systems Singapore Pte. Ltd. from 2018 to 2019 and during the period from 2008 to 2015, Mr Kong worked as Financial Controller of SMOE Pte Ltd (a subsidiary of Sembcorp Marine Ltd), a company specializing in Turnkey EPCIC, Offshore platforms and Topside modules fabrication, installation and integration. He has more than 30 years' experience and leadership skills in accounting, finance and risk management.

Mr Kong is a Fellow member of the Institute of Singapore Chartered Accountants and CPA Australia. Mr Kong is also a member of the Singapore Institute of Directors.

5 **MR *FAN BIN***
Executive Director

Mr Fan was appointed to the board on 4 Nov 2022 as Non-executive and Non-independent director. Mr Fan was redesignated as Executive Director on 1 September 2023.

Mr Fan Bin is a member of the Chinese Institute of Certified Public Accountants and a certified public accountant (CPA), a certified tax accountant (CTA) certified by the China Certified Tax Agents Association and accountant certified by the Ministry of Finance of the People's Republic of China. Mr Fan is also a member of the Singapore Institute of Directors.

He holds a Master's degree in accounting from Shanghai University of Finance and Economics and Bachelor's degree in management from Shanghai University of Finance and Economics.

6 **MS *BAI YUN***
Executive Director

Ms Bai was appointed to the Board on 1 September 2023 as Executive Director.

Ms Bai has experience in hospitality, F&B and real estate industry such as Marriott International, Shimao Group etc. She was responsible for Marketing Communication, Public Relationship, Government Relationship, Human Resource, Business Development and Brand Management. Ms. Bai has more than 15 years` experience and leadership skills in Marketing and HR Management.

Ms Bai graduated from Shanghai University with a bachelor`s degree in arts and communication. Ms Bai is also a member of the Singapore Institute of Directors.

# KEY *EXECUTIVES*

## MR *MAXTEIN OH KOK THAI*

General Manager – Restaurant Operations

Mr Oh was appointed as Group General Manager on 1 May 2006 to oversee the restaurant operations including regional business development, human resource & administration as well as sales & marketing. He joined the Group in 1997 as Restaurant Manager and was promoted to Group Operations Manager in 2000 to oversee the operations in Singapore. He was posted to Beijing, China in 2001 as General Manager (Northern China's Operation) for setting up and managing the restaurants in Northern China and franchise operations in China. He was promoted to General Manager for China's Operation in 2004, based in Shanghai to oversee the operations in China. Prior to joining the Group, he has held managerial positions with Conrad International Centennial Singapore, Pondok Gurame Group of Restaurants, Jumbo Group of Restaurants, Yunnan Group of Restaurants and he has also worked with The Westin Stamford and The Westin Plaza. Mr Oh is a graduate from American Hotel and Lodging Educational Institute in Hospitality Management and he holds a certificate in Advanced certificate in Training And Assessment from Institute of Adult Learning Singapore. He is a certificate Industry Trainer and Assessor as well as a Certified WSQ Trainer and Assessor by Institute of Technical Education Singapore and Singapore Workforce Development Agency.

## MR *HAU EE BOON*

Executive Chef

Mr Hau has a deep and extended relationship with the Group, having joined Thai Village Restaurant as one of the critical pioneer chefs in 1991. In 1999, Mr Hau and the then General Manager of the Group Mr Oh, ventured to China to establish the inaugural China branch. Together, Mr Oh and Mr Hau managed all China restaurant operations, including the setting up of the franchise. In 2012, Mr Hau took over the role of Executive Chef. Mr Hau is responsible for the management of the Group's restaurant operations.

## MR *LOH BENG KIAT, CALVIN*

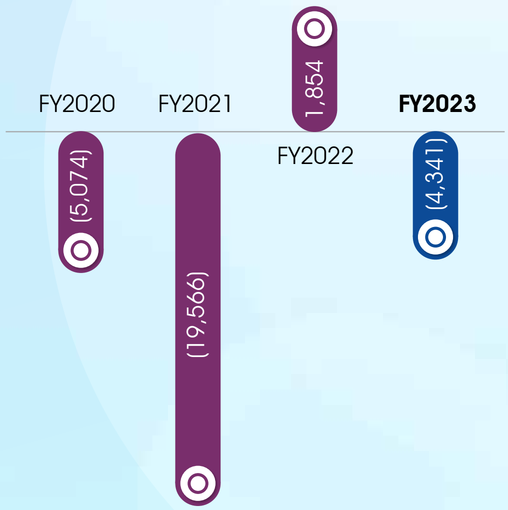
Financial Controller

Mr Loh was appointed on 15 April 2018. As the Financial Controller, he is responsible for the financial and management reporting functions of the Group. Mr Loh has over a decade of experience having held various finance management roles since 1997, as well as accountant roles before that. Prior to joining the Group, he was the Chief Financial officer of the HLH Group Ltd, a listed company that focuses on real estate and agricultural development, where he successfully managed all financial and capital aspects. He is a Singapore Chartered Accountant.

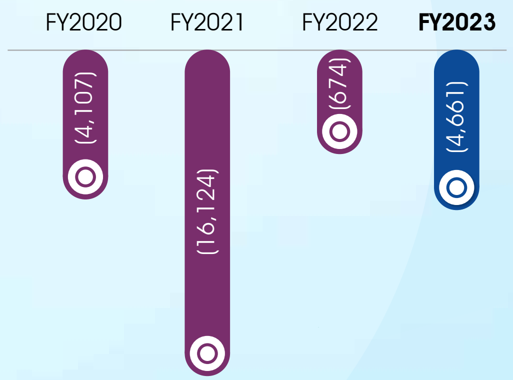
He was appointed as the general manager of Fengchi IOT Management Co Ltd in August 2021 and is responsible for its profitability as well as the management of its overall operations.

# FINANCIAL *HIGHLIGHTS*

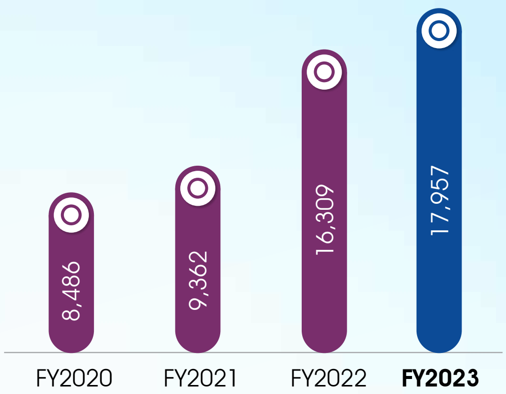
**PROFIT/(LOSS) *BEFORE TAXATION***
(S$'000)




**PROFIT/(LOSS) *AFTER TAXATION***
**Attributable to Equity holders of the Company**
(S$'000)




**TURNOVER**
(S$'000)



# CORPORATE *INFORMATION*

## BOARD *OF DIRECTORS*

**Dr. *John Chen Seow Phun***
Executive Chairman

**Mr *Ding Furu***
Non-Executive and
Non-Independent Director

**Mr *Francis Lee Fook Wah***
Lead Independent Director

**Mr *Kong WeiLi***
Independent Director

**Mr *Fan Bin***
Executive Director

**Ms *Bai Yun***
Executive Director

## COMPANY *SECRETARY*

**Ms *Chan Lai Yin***

## REGISTERED *OFFICE*

Block 1002 Tai Seng Avenue
#01-2536 Singapore 534409
Tel: +65 6487 6182
Fax: +65 6487 6183

## SHARE *REGISTRAR*

Tricor Barbinder Share Registation Services
(A division of Tricor Singapore Pte. Ltd.)

9 Raffles Place, #26-01, Republic Plaza,
Singapore 048619

## AUDITORS

CLA Global TS Public Accounting Corporation
Director in-charge: Teh Yeu Horng
(Appointed since financial year
ended 31 December 2021)

## PRINCIPAL *BANKER*

United Overseas Bank Limited

# THAI VILLAGE *RESTAURANT PRESENCE*


## SELF-MANAGED RESTAURANTS

### SINGAPORE (新加坡分店)

**Goodwood Park**
**良木园**

22 Scotts Road,
Goodwood Park Hotel
Singapore 228221
**Tel:** (65) 6440 8251
**Fax:** (65) 6440 0748

**Singapore Indoor Stadium**
**新加坡室内体育馆**

2 Stadium Walk, #01-02/03
Singapore Indoor Stadium
Singapore 397691
**Tel:** (65) 6440 2292
**Fax:** (65) 6440 7285

## FRANCHISEE RESTAURANTS

### CHINA (中国加盟店)

**Shanghai**
**上海**

国定东路237号 (金储广场北侧)
电话: (86) 21-55221717

上海市黄浦区北京西路61号
新金桥广场1层
电话: (86) 021-66981717

### VIETNAM (越南加盟店)

**Ho Chi Minh City**
**胡志明市**

38, Ly Tu Trong Street,
Ben Nghe Ward, District 1
**Tel:** (84) 8 8256704/5

**Hanoi**
**河内**

3B Le Thai To Street,
Hang Trong Ward,
Hoan Kiem District
**Tel:** (84) 4 3938 1168

# FINANCIAL *STATEMENTS*

13
DIRECTORS' *STATEMENT*

17
INDEPENDANT
*AUDITOR'S REPORT*

22
CONSOLIDATED STATEMENT OF
*COMPREHENSIVE INCOME*

23
STATEMENTS OF
*FINANCIAL POSITION*

25
CONSOLIDATED STATEMENT
*OF CHANGES IN EQUITY*

26
CONSOLIDATED STATEMENT
*OF CASH FLOWS*

28
NOTES TO THE
*FINANCIAL STATEMENTS*

# DIRECTORS' *STATEMENT*

The directors present their statement to the members together with the audited financial statements of the Group for the financial year ended 31 December 2023 and the statement of financial position of the Company as at 31 December 2023.

In the opinion of the directors,

(i) the statement of financial position of the Company and the consolidated financial statements of the Group as set out on pages 22 to 91 are drawn up so as to give a true and fair view of the financial position of the Company and of the Group as at 31 December 2023 and the financial performance, changes in equity and cash flows of the Group for the financial year covered by the consolidated financial statements; and

(ii) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

**Directors**

The directors of the Company in office at the date of this statement are as follows:

Ding Furu
Dr. John Chen Seow Phun
Fan Bin
Bai Yun (appointed on 1 September 2023)
Francis Lee Fook Wah
Kong WeiLi

**Arrangements to enable directors to acquire shares and debentures**

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

**Directors' interests in shares or debentures**

According to the register of directors' shareholdings, none of the directors holding office at the end of the financial year had any interest in the shares or debentures of the Company or its related corporations, except as follows:

| | **Holdings registered in name of director** | | **Holdings in which a director is deemed to have an interest** | |
|---|---|---|---|---|
| | **At 31.12.2023** | **At 1.1.2023** | **At 31.12.2023** | **At 1.1.2023** |
| **Company** | | | | |
| Number of ordinary shares | | | | |
| Ding Furu | - | - | 1,047,408,760 [(1)] | 1,047,408,760 [(1)] |
| Dr. John Chen Seow Phun | - | - | 23,163,525 [(2)] | 23,163,525 [(2)] |

# DIRECTORS' *STATEMENT*

**Directors' interests in shares or debentures** (continued)

**Note:**

(1) 1,047,218,560 (2022: 1,047,218,560) shares are held in the name of New Development Hotel Management Pte Ltd, of which Mr Ding Furu is the sole director and shareholder. He is the beneficial owner of 190,200 (2022: 190,200) shares held by UOB Kay Hian Pte Ltd.

(2) 62,500 (2022: 62,500) shares are held in the name of Lim Kok Huang, who is the spouse of Dr. John Chen Seow Phun. He is the beneficial owner of 848,300 (2022: 848,300) shares held by DBS Nominees Private Ltd. Additionally, 22,252,725 (2022: 22,252,725) shares are held in the name of Unigold Asia Limited, which is wholly owned by Dr. John Chen Seow Phun.

Mr Ding Furu, who by virtue of his interest of not less than 20% of the issued capital of the Company, is deemed to have an interest in the whole of the share capital of the Company's wholly owned subsidiary corporations and in the shares held by the Company in the following subsidiary corporations that are not wholly owned by the Group:

| | At 31.12.2023 | At 1.1.2023 |
|---|---|---|
| Tianjin Lanting Leasing Co., Ltd<br>- Registered and issued share capital | USD20,565,536 | USD20,565,536 |
| Tianjin Yixing Intelligent Washing Technology Co., Ltd<br>- Registered and issued share capital | RMB29,917,581 | USD5,279,400 |

The directors' interests in the ordinary shares of the Company as at 21 January 2024 were the same as those as at 31 December 2023.

**Share options**

There were no options granted during the financial year to subscribe for unissued shares of the Company or its subsidiary corporations.

No shares have been issued during the financial year by virtue of the exercise of any option to take up unissued shares of the Company or its subsidiary corporations.

As at the end of the financial year, there were no unissued shares of the Company or its subsidiary corporations under option.

**Audit committee**

The members of the Audit Committee at the end of the financial year were as follows:

Kong WeiLi (Chairman)
Francis Lee Fook Wah
Ding Furu

As at the date of this statement, the Audit Committee comprises all non-executive directors who are independent, except for Mr Ding Furu who is the sole director and shareholder of New Development Hotel Management Pte Ltd.

# DIRECTORS' *STATEMENT*

**Audit committee** (continued)

The Audit Committee has written terms of reference that are approved by the Board of Directors (the "Board") and clearly set out its responsibilities. The Audit Committee carries out its functions in accordance with Section 201B(5) of the Companies Act 1967 of Singapore and the Code of Corporate Governance (the "Code"). The key terms of reference of the Audit Committee are as follows:

(a) To review the audit plans of the internal auditor and independent auditor of the Group and the Company, and review the internal auditor's evaluation of the adequacy of the Company's system of internal accounting controls and the assistance given by the Group's and the Company's management to the internal auditor and independent auditor;

(b) To review the half yearly and annual consolidated financial statements and the independent auditor's report on the consolidated financial statements of the Group and the financial position of the Company before their submission to the Board;

(c) To review effectiveness of the Group's and the Company's key internal controls, including financial, operational and compliance controls and risk management via reviews carried out by the internal auditor;

(d) To review the cooperation given by the management to the independent auditor and internal auditor;

(e) To review legal and regulatory matters that may have a material impact on the consolidated financial statements, related compliance policies and programmes and any reports received from regulators;

(f) To review the cost effectiveness and the independence and objectivity of the independent auditor;

(g) To review the nature and extent of non-audit services provided by the independent auditor;

(h) To recommend to the Board the appointment, re-appointment or removal of the independent auditor and approve the remuneration and terms of engagement of the independent auditor;

(i) To review interested person transactions in accordance with the requirements of the Singapore Exchange Securities Trading Limited's (the "Singapore Exchange" or the "SGX-ST") Listing Manual; and

(j) To conduct a review of interested person transaction to ensure that each transaction has been conducted on an arm's length basis.

The Audit Committee has, in accordance with Chapter 9 of the SGX-ST's Listing Manual, reviewed the requirements for approval and disclosure of interested party transactions.

The Audit Committee, having reviewed all non-audit services provided by the independent auditor to the Group, is satisfied that the nature and extent of such services would not affect the independence of the independent auditor.

The Audit Committee convened two (2) meetings during the financial year with full attendance from all members. The Audit Committee met with the independent auditor and internal auditor once in February 2023 and August 2023 respectively without the presence of the management. These meeting enable the independent auditor and internal auditor to raise issues encountered in the course of their work directly to the Audit Committee.

The Audit Committee has recommended to the Board that the independent auditor, CLA Global TS Public Accounting Corporation, be nominated for re-appointment at the forthcoming Annual General Meeting.

# DIRECTORS' *STATEMENT*

**Independent auditor**

The independent auditor, CLA Global TS Public Accounting Corporation, has expressed its willingness to accept re-appointment.

On behalf of the directors

..................................................
Dr. John Chen Seow Phun
Director

..................................................
Fan Bin
Director

26 March 2024

# INDEPENDENT AUDITOR'S REPORT *TO THE MEMBERS*

of Pavillon Holdings Ltd.

**Report on the Audit of the Financial Statements**

***Opinion***

We have audited the accompanying financial statements of Pavillon Holdings Ltd. (the "Company") and its subsidiary corporations (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2023, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the financial year then ended, and notes to the financial statements, including material accounting policies information, as set out on pages 22 to 91.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Companies Act 1967 of Singapore (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)"s) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2023 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the financial year ended on that date.

***Basis for Opinion***

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") Code of Professional Conduct and Ethics Applicable to Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

***Key Audit Matters***

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current financial year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

**Equity method of accounting for investment in associated company – Fengchi IOT Management Co., Ltd. ("Fengchi IOT")** (Refer to Notes 2.4(c), 3(a) and 17 to the financial statements)

**<u>Area of focus</u>**

As at 31 December 2023, the carrying amount of the investment in Fengchi IOT was S$5,252,000 which represented 8% of total assets of the Group. The principal activity of the Fengchi IOT is those relating to warehouse and logistics management.

# INDEPENDENT AUDITOR'S REPORT *TO THE MEMBERS*

of Pavillon Holdings Ltd.

***Key Audit Matters*** (continued)

**Equity method of accounting for investment in associated company – Fengchi IOT Management Co., Ltd. ("Fengchi IOT")** (Refer to Notes 2.4(c), 3(a) and 17 to the financial statements) (continued)

**<u>Area of focus</u>** (continued)

During the financial year ended 31 December 2021, Fengchi IOT has completed the construction of its logistics hub in Tianjin, People's Republic of China. The logistics hub is classified as investment properties as it is held for long-term rental yields and/or for capital appreciation.

As at 31 December 2023, the fair value of the investment properties determined by an independent valuer amounted to S$100,680,000, which is lower than the carrying amount of the investment properties. Accordingly, Fengchi IOT recorded a net loss of S$14,810,000 for the financial year ended 31 December 2023, which mainly comprised fair value loss on investment properties amounting to S$11,398,000.

Accordingly, the Group's share of loss of Fengchi IOT amounted to S$7,257,000 for the financial year ended 31 December 2023.

We focused on this area as a key audit matter as the determination of the fair value of Fengchi IOT's investment properties are highly dependent on a range of assumptions and estimates (including, amongst others, gross capitalisation rates and estimated market rental yields) used by the independent valuer, which has a significant impact on the equity accounting for the investment in Fengchi IOT, and as the carrying amount of the investment in Fengchi IOT is significant to the Group.

**<u>How our audit addressed this key audit matter</u>**

In obtaining sufficient audit evidence, we have performed the following procedures:

- Evaluated the experience, qualifications, objectivity and competency of the independent valuer;
- Obtained and reviewed the valuation report from the independent valuer, together with our internal valuation specialists, to evaluate the appropriateness of the valuation methodologies and significant underlying assumptions used in determining the fair value of the investment properties;
- Discussed the significant risk areas of the financial information of the associated company with management, and obtained sufficient and appropriate evidence of the financial information of the associated company;
- Verified the arithmetical accuracy of the share of results of Fengchi IOT in the consolidated financial statements; and
- Reviewed the adequacy and appropriateness of the disclosures made in the financial statements.

# INDEPENDENT AUDITOR'S REPORT *TO THE MEMBERS*

of Pavillon Holdings Ltd.

***Other Information***

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

***Responsibilities of Management and Directors of the Financial Statements***

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I)s, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

# INDEPENDENT AUDITOR'S REPORT *TO THE MEMBERS*

of Pavillon Holdings Ltd.

***Auditor's Responsibilities for the Audit of the Financial Statements*** (continued)

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current financial year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

# INDEPENDENT AUDITOR'S REPORT *TO THE MEMBERS*

of Pavillon Holdings Ltd.

**Report on Other Legal and Regulatory Requirements**

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement director on the audit resulting in this independent auditor's report is Teh Yeu Horng.

**CLA Global TS Public Accounting Corporation**
**Public Accountants and Chartered Accountants**

**Singapore**

26 March 2024

# CONSOLIDATED STATEMENT OF *COMPREHENSIVE INCOME*

For the financial year ended 31 December 2023

| | Note | 2023<br>S$'000 | 2022<br>S$'000 |
|---|---|---|---|
| **Revenue** | 4 | 17,957 | 16,309 |
| **Other items of income** | | | |
| Interest income – bank deposits | | 45 | 36 |
| Interest income – loan to an associated company | | 1,902 | 630 |
| Other income | 5 | 398 | 252 |
| **Items of expenses** | | | |
| Raw materials and changes in inventories | 13 | (5,422) | (5,797) |
| Employee compensation | 6 | (5,416) | (5,819) |
| Depreciation expense | 19 | (1,337) | (1,507) |
| Finance expenses | 7 | (154) | (126) |
| Currency exchange losses - net | | (1,635) | (4,285) |
| Other operating expenses | 8 | (2,688) | (3,576) |
| Total expenses | | (16,652) | (21,110) |
| Share of (loss)/profit of associated companies | 17 | (7,991) | 5,737 |
| (Loss)/profit before income tax | | (4,341) | 1,854 |
| Income tax expenses | 9(a) | (358) | (94) |
| **Net (loss)/profit** | | (4,699) | 1,760 |
| **Other comprehensive (loss)/income:** | | | |
| *Items that may be reclassified subsequently to profit or loss:* | | | |
| - Currency translation losses arising from consolidation | | (187) | (386) |
| *Items that will not be reclassified subsequently to profit or loss:* | | | |
| - Currency translation losses arising from consolidation | | (121) | (331) |
| - Fair value gains – financial assets, at FVOCI | 16 | 1,038 | 132 |
| | | 730 | (585) |
| **Total comprehensive (loss)/income** | | (3,969) | 1,175 |
| **(Loss)/profit attributable to:** | | | |
| Equity holders of the Company | | (4,661) | (674) |
| Non-controlling interests | | (38) | 2,434 |
| | | (4,699) | 1,760 |
| **Total comprehensive (loss)/income attributable to:** | | | |
| Equity holders of the Company | | (4,059) | (960) |
| Non-controlling interests | | 90 | 2,135 |
| | | (3,969) | 1,175 |
| **Loss per share for loss attributable to equity holders of the Company (cents per share)** | | | |
| - Basic | 10 | (0.32) | (0.10) |
| - Diluted | 10 | (0.32) | (0.10) |

*The accompanying notes form an integral part of these financial statements.*

# STATEMENTS OF *FINANCIAL POSITION*

As at 31 December 2023

| | Note | Group 2023 S$'000 | Group 2022 S$'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | 11 | 5,748 | 3,566 |
| Trade and other receivables | 12 | 281 | 1,881 |
| Inventories | 13 | 2,421 | 1,434 |
| | | 8,450 | 6,881 |
| **Non-current assets** | | | |
| Other receivables | 14 | 40,048 | 39,655 |
| Financial asset, at FVOCI | 16 | 5,332 | 4,294 |
| Investments in associated companies | 17 | 5,276 | 12,963 |
| Property, plant and equipment | 19 | 3,056 | 2,209 |
| | | 53,712 | 59,121 |
| **Total assets** | | 62,162 | 66,002 |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 21 | 3,363 | 3,595 |
| Contract liabilities | 22 | 1 | 44 |
| Current income tax liabilities | 9(b) | 416 | 96 |
| Borrowings | 23 | 1,495 | 1,507 |
| | | 5,275 | 5,242 |
| **Non-current liabilities** | | | |
| Trade and other payables | 21 | 60 | 100 |
| Borrowings | 23 | 1,712 | 1,717 |
| Provisions | 24 | 339 | 198 |
| Deferred tax liabilities | 25 | 48 | 48 |
| | | 2,159 | 2,063 |
| **Total liabilities** | | 7,434 | 7,305 |
| **NET ASSETS** | | 54,728 | 58,697 |
| **EQUITY** | | | |
| **Capital and reserves attributable to equity holders of the Company** | | | |
| Share capital | 26 | 82,097 | 82,097 |
| Other reserves | 27 | 4,496 | 3,894 |
| Accumulated losses | | (37,214) | (31,866) |
| | | 49,379 | 54,125 |
| **Non-controlling interests** | 18 | 5,349 | 4,572 |
| **TOTAL EQUITY** | | 54,728 | 58,697 |

*The accompanying notes form an integral part of these financial statements.*

# STATEMENTS OF *FINANCIAL POSITION*

As at 31 December 2023

| | Note | Company 2023 S$'000 | Company 2022 S$'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | 11 | 96 | 17 |
| Trade and other receivables | 12 | 3,114 | 1,079 |
| | | 3,210 | 1,096 |
| **Non-current assets** | | | |
| Other receivables | 14 | 43,615 | 39,251 |
| Investments in subsidiary corporations | 18 | 9,843 | 12,482 |
| Property, plant and equipment | 19 | - | - |
| | | 53,458 | 51,733 |
| **Total assets** | | 56,668 | 52,829 |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 21 | 6,097 | 5,340 |
| Borrowings | 23 | 314 | 697 |
| | | 6,411 | 6,037 |
| **Non-current liabilities** | | | |
| Trade and other payables | 21 | 60 | 100 |
| Borrowings | 23 | 161 | 461 |
| | | 221 | 561 |
| **Total liabilities** | | 6,632 | 6,598 |
| **NET ASSETS** | | 50,036 | 46,231 |
| **EQUITY** | | | |
| **Capital and reserves attributable to equity holders of the Company** | | | |
| Share capital | 26 | 82,097 | 82,097 |
| Accumulated losses | 28 | (32,061) | (35,866) |
| **TOTAL EQUITY** | | 50,036 | 46,231 |

*The accompanying notes form an integral part of these financial statements.*

# CONSOLIDATED STATEMENT OF *CHANGES IN EQUITY*

For the financial year ended 31 December 2023

| | Attributable to the equity holders of the Company | | | | | | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|---|
| | | Other reserves | | | | | | |
| | Share capital | Currency translation reserve | Capital reserve | Fair value reserve | Accumulated losses | Total | | |
| | S$'000 | S$'000 | S$'000 | S$'000 | S$'000 | S$'000 | S$'000 | S$'000 |
| **2023** | | | | | | | | |
| **Balance as at 1 January 2023** | 82,097 | 88 | 3,478 | 328 | (31,866) | 54,125 | 4,572 | 58,697 |
| Net loss for the financial year | - | - | - | - | (4,661) | (4,661) | (38) | (4,699) |
| Other comprehensive (loss)/income for the financial year | - | (187) | - | 789 | - | 602 | 128 | 730 |
| Effect of changes in shareholdings in a subsidiary corporation without change of control (Note 18) | - | - | - | - | (687) | (687) | 687 | - |
| **Balance as at 31 December 2023** | 82,097 | (99) | 3,478 | 1,117 | (37,214) | 49,379 | 5,349 | 54,728 |
| **2022** | | | | | | | | |
| **Balance as at 1 January 2022** | 39,433 | 474 | 3,478 | 228 | (31,192) | 12,421 | 2,437 | 14,858 |
| Issue of new shares (Note 26) | 42,936 | - | - | - | - | 42,936 | - | 42,936 |
| Share issue expenses (Note 26) | (272) | - | - | - | - | (272) | - | (272) |
| Net (loss)/profit for the financial year | - | - | - | - | (674) | (674) | 2,434 | 1,760 |
| Other comprehensive (loss)/income for the financial year | - | (386) | - | 100 | - | (286) | (299) | (585) |
| **Balance as at 31 December 2022** | 82,097 | 88 | 3,478 | 328 | (31,866) | 54,125 | 4,572 | 58,697 |

*The accompanying notes form an integral part of these financial statements.*

# CONSOLIDATED STATEMENT OF *CASH FLOWS*

For the financial year ended 31 December 2023

| | Note | 2023<br>S$'000 | 2022<br>S$'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Net (loss)/profit | | (4,699) | 1,760 |
| Adjustments for: | | | |
| - Depreciation of property, plant and equipment | 19 | 1,337 | 1,507 |
| - Gain on disposal of property, plant and equipment | 5 | (179) | (21) |
| - Gain on lease modification relating to termination of the lease | 5 | - | (9) |
| - Income tax expense | 9(a) | 358 | 94 |
| - Interest expense | 7 | 154 | 126 |
| - Interest income | | (1,947) | (666) |
| - Rental concession | 5 | - | (19) |
| - Property, plant and equipment written off | 8 | 11 | 521 |
| - Share of loss/(profit) of associated companies | 17 | 7,991 | (5,737) |
| - Unrealised currency translation losses | | 1,706 | 4,210 |
| | | 4,732 | 1,766 |
| Change in working capital: | | | |
| - Inventories | | (987) | (784) |
| - Trade and other receivables | | 21 | 659 |
| - Trade and other payables | | (272) | (566) |
| - Contract liabilities | | (43) | 44 |
| **Cash generated from operations** | | 3,451 | 1,119 |
| Income tax paid | 9(b) | (38) | - |
| **Net cash provided by operating activities** | | 3,413 | 1,119 |
| **Cash flows from investing activities** | | | |
| Additions to property, plant and equipment | | (339) | (716) |
| Proceeds from disposal of property, plant and equipment | | 454 | 23 |
| Capital injection to an associated company | 17 | (766) | - |
| Loan to an associated company | | - | (44,483) |
| Loan repayment by an associated company | | 1,583 | - |
| Interest received | | 45 | 36 |
| **Net cash provided by/(used in) investing activities** | | 977 | (45,140) |
| **Cash flows from financing activities** | | | |
| Proceeds from issuance of ordinary shares | 26 | - | 42,936 |
| Share issue expenses | 26 | - | (272) |
| Principal payment of lease liabilities | | (1,130) | (1,169) |
| Principal payment of borrowings | | (500) | (483) |
| Interest paid | | (154) | (126) |
| **Net cash (used in)/provided by financing activities** | | (1,784) | 40,886 |
| **Net increase/(decrease) in cash and cash equivalents** | | 2,606 | (3,135) |
| **Cash and cash equivalents** | | | |
| Beginning of financial year | | 3,187 | 6,376 |
| Effects of currency translation on cash and cash equivalents | | (45) | (54) |
| **End of financial year** | 11 | 5,748 | 3,187 |

*The accompanying notes form an integral part of these financial statements.*

# CONSOLIDATED STATEMENT OF *CASH FLOWS*

For the financial year ended 31 December 2023

**Reconciliation of liabilities arising from financing activities**

| | 1 January 2023 | Principal and interest payments | Non-cash changes | | 31 December 2023 |
|---|---|---|---|---|---|
| | | | Addition during the financial year | Interest expense | |
| | S$'000 | S$'000 | S$'000 | S$'000 | S$'000 |
| Bank borrowings | 1,531 | (543) | - | 43 | 1,031 |
| Lease liabilities | 1,314 | (1,239) | 1,992 | 109 | 2,176 |

| | 1 January 2022 | Principal and interest payments | Non-cash changes | | | | | 31 December 2022 |
|---|---|---|---|---|---|---|---|---|
| | | | Addition during the financial year | Rental concession | Modification of lease liability | Interest expense | Foreign exchange movement | |
| | S$'000 | S$'000 | S$'000 | S$'000 | S$'000 | S$'000 | S$'000 | S$'000 |
| Bank borrowings | 2,014 | (543) | - | - | - | 60 | - | 1,531 |
| Lease liabilities | 1,763 | (1,215) | 907 | (19) | (152) | 46 | (16) | 1,314 |

*The accompanying notes form an integral part of these financial statements.*

# NOTES TO THE *FINANCIAL STATEMENTS*

For the financial year ended 31 December 2023

These notes form an integral part and should be read in conjunction with the accompanying financial statements.

## 1 Corporate information

Pavillon Holdings Ltd. (the "Company") is a limited liability company incorporated and domiciled in the Republic of Singapore and is listed on the Singapore Exchange. The registered office and principal place of business of the Company is located at Block 1002 Tai Seng Avenue #01-2536, Singapore 534409.

The principal activities of the Company are those of investment holding, franchising and provision of management services to its subsidiary corporations. There have been no significant changes in the nature of these activities during the financial year. The principal activities of the subsidiary corporations are as shown in Note 18 to the financial statements.

The Company's immediate and ultimate holding corporation is New Development Hotel Management Pte. Ltd., incorporated in Singapore.

Related companies in these financial statements refer to the companies within Pavillon Holdings Ltd.'s group of companies.

## 2 Material accounting policies

### 2.1 Basis of preparation

These financial statements have been prepared in accordance with the Singapore Financial Reporting Standards (International) ("SFRS(I)s") under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of the financial statements in conformity with SFRS(I) requires management to exercise its judgement in the process of applying the Group's accounting policies. It also requires the use of certain critical accounting estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3 to the financial statements.

The consolidated financial statements are presented in Singapore Dollars (S$) and all values are rounded to the nearest thousand (S$'000), except when otherwise indicated.

**Interpretations and amendments to published standards effective in 2023**

On 1 January 2023, the Group has adopted the new or amended SFRS(I) and Interpretations of SFRS(I) ("INT SFRS(I)") that are mandatory for application for the financial year. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective SFRS(I) and INT SFRS(I).

The adoption of these new or amended SFRS(I) and INT SFRS(I) did not result in substantial changes to the Group's accounting policies and had no material effect on the amounts reported for the current or prior financial years.

# NOTES TO THE *FINANCIAL STATEMENTS*

For the financial year ended 31 December 2023

**2 Material accounting policies** (continued)

### 2.2 Revenue recognition

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods and services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognised when the Group satisfied a performance obligation by transferring promised goods or services to the customer, which is when the customer obtains control of the goods or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

***(a) Revenue from restaurant operations***

The Group operates a chain of restaurants in the food and beverage business. Revenue arising from the sale of food and beverages is recognised in profit or loss at a point in time when the food and beverages are served to the customers. Payment of the transaction price is due immediately when the customer purchases the food.

Sale of cash vouchers is recognised as contract liabilities as the performance obligation is not satisfied upon the sale of cash vouchers. It is subsequently recognised as revenue when the customers redeem the cash vouchers, or when the Group is legally released from its obligations based on the expiration date of the cash vouchers.

The Group does not operate any customer loyalty programme.

***(b) Revenue from car washing operations***

Revenue from the car wash services is recognised at a point in time when the Group satisfied its performance obligation by rendering service to the customer.

***(c) Royalty fees***

Royalty fees from franchisees are recognised over time whereby the Group considers the performance obligation is satisfied when franchisees' subsequent sales occur. The transaction price is determined based on a percentage of the franchisees' revenue or a pre-determined amount in accordance with the terms as stated in the franchise agreements.

***(d) Interest income***

Interest income is recognised using the effective interest method.

### 2.3 Government grants

Grants from the government are recognised as a receivable at their fair value when there is reasonable assurance that the grant will be received and the Group will comply with all the attached conditions.

Government grants receivable are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis. Government grants relating to expenses are shown separately as "Other Income".

Government grants relating to assets are deducted against the carrying amount of the assets.

# NOTES TO THE *FINANCIAL STATEMENTS*

For the financial year ended 31 December 2023

**2 Material accounting policies** (continued)

**2.4 Group accounting**

***(a) Subsidiary corporations***

*(i) Consolidation*

Subsidiary corporations are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiary corporations are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment indicator of the transferred asset. Accounting policies of subsidiary corporations have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests comprise the portion of a subsidiary corporation's net results of operations and its net assets, which is attributable to the interests that are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated statement of comprehensive income, statement of changes in equity, and statement of financial position. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary corporation, even if this results in the non-controlling interests having a deficit balance.

*(ii) Acquisitions*

The acquisition method of accounting is used to account for business combinations entered into by the Group.

The consideration transferred for the acquisition of a subsidiary corporation or business comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes any contingent consideration arrangement and any pre-existing equity interest in the subsidiary corporation measured at their fair values at the acquisition date.

Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at the date of acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

# NOTES TO THE *FINANCIAL STATEMENTS*

For the financial year ended 31 December 2023

**2 Material accounting policies** (continued)

**2.4 Group accounting** (continued)

***(a) Subsidiary corporations*** (continued)

*(ii) Acquisitions (*continued)

The excess of the (a) consideration transferred in the business combination, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the (b) fair values of the identifiable net assets acquired is recorded as goodwill. If those amounts are less than the fair value of the identifiable net assets of the subsidiary corporation acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a gain from bargain purchase.

*(iii) Disposals*

When a change in the Group's ownership interest in a subsidiary corporation results in a loss of control over the subsidiary corporation, the assets and liabilities of the subsidiary corporation including any goodwill are derecognised. Amounts previously recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained profits if required by a specific SFRS(I).

Any retained equity interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained interest at the date when control is lost and its fair value is recognised in profit or loss.

Please refer to the paragraph "Investments in subsidiary corporations and associated companies" for the accounting policy on investments in subsidiary corporations in the separate financial statements of the Company.

***(b) Transactions with non-controlling interests***

Changes in the Group's ownership interest in a subsidiary corporation that do not result in a loss of control over the subsidiary corporations are accounted for as transactions with equity owners of the Company. Any difference between the change in the carrying amounts of the non-controlling interest and the fair value of the consideration paid or received is recognised within equity attributable to the equity holders of the Company.

***(c) Associated companies***

Associated companies are entities over which the Group has significant influence, but not control, generally accompanied by a shareholding giving rise to voting rights of 20% and above.

Investments in associated companies are accounted for in the consolidated financial statements using the equity method of accounting less impairment losses, if any.

# NOTES TO THE *FINANCIAL STATEMENTS*

For the financial year ended 31 December 2023

**2 Material accounting policies** (continued)

**2.4 Group accounting** (continued)

***(c) Associated companies*** (continued)

*(i) Acquisitions*

Investments in associated companies are initially recognised at cost. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Goodwill, if any, on associated companies represents the excess of the cost of acquisition of the associated company over the Group's share of the fair value of the identifiable net assets of the associated company and is included in the carrying amount of the investments.

*(ii) Equity method of accounting*

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise Group's share of its associated companies' post-acquisition profits or losses of the investee in profit or loss and its share of movements in other comprehensive income of the investee's other comprehensive income. Dividends received or receivable from the associated companies are recognised as a reduction of the carrying amount of the investments. When the Group's share of losses in an associated company equals to or exceeds its interest in the associated company, the Group does not recognise further losses, unless it has incurred legal or constructive obligations to make, or has made, payments on behalf of the associated company. If the associated company subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised. Interest in an associated company includes any long-term loans for which settlement is never planned nor likely to occur in the foreseeable future.

Unrealised gains on transactions between the Group and its associated companies are eliminated to the extent of the Group's interest in the associated companies. Unrealised losses are also eliminated unless the transactions provide evidence of impairment of the assets transferred. The accounting policies of associated companies are changed where necessary to ensure consistency with the accounting policies adopted by the Group.

*(iii) Disposals*

Investments in associated companies are derecognised when the Group loses significant influence. If the retained equity interest in the former associated company is a financial asset, the retained equity interest is remeasured at fair value. The difference between the carrying amount of the retained interest at the date when significant influence is lost, and its fair value and any proceeds on partial disposal, is recognised in profit or loss.

Please refer to the paragraph "Investments in subsidiary corporations and associated companies" for the accounting policy on investments in associated companies in the separate financial statements of the Company.

# NOTES TO THE *FINANCIAL STATEMENTS*

For the financial year ended 31 December 2023

**2 Material accounting policies** (continued)

**2.5 Property, plant and equipment**

***(a) Measurement***

*(i) Property, plant and equipment*

All items of property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

*(ii) Components of costs*

The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The projected cost of dismantlement, removal or restoration is also recognised as part of the property, plant and equipment if the obligation for the dismantlement, removal or restoration is incurred as a consequence of either acquiring the asset or using the asset for purpose other than to produce inventories.

***(b) Depreciation***

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their depreciable amounts over their estimated useful lives as follows:

| | Useful lives |
|---|---|
| Office and restaurant premises | over respective lease terms of 2 to 30 years |
| Furniture and fittings | 5 - 8 years |
| Plant and machinery | 5 - 10 years |
| Motor vehicles | 5 years |
| Computers | 1 - 5 years |
| Operating supplies | 5 years |
| Renovation | 3 years |

Assets under construction included in the property, plant and equipment are not depreciated as these assets are not available for use.

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at each reporting date. The effects of any revision are recognised in profit or loss when the changes arise.

Fully depreciated property, plant and equipment still in use are retained in the consolidated financial statements.

***(c) Subsequent expenditure***

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All other repair and maintenance expenses are recognised in profit or loss when incurred.

# NOTES TO THE *FINANCIAL STATEMENTS*

For the financial year ended 31 December 2023

**2 Material accounting policies** (continued)

**2.5 Property, plant and equipment** (continued)

***(d) Disposal***

On disposal of an item of property, plant and equipment, the difference between the disposal proceeds and its carrying amount is recognised in profit or loss within "Other income".

**2.6 Borrowing costs**

Borrowing costs include interest in respect of lease liabilities recognised in accordance with SFRS(I) 16 - Leases and are recognised in profit or loss using the effective interest method.

**2.7 Investments in subsidiary corporations and associated companies**

Investments in subsidiary corporations and associated companies are carried at cost less accumulated impairment losses in the Company's statement of financial position. On disposal of such investments, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

**2.8 Impairment of non-financial assets**

*Property, plant and equipment*
*Right-of-use assets*
*Investments in subsidiary corporations and associated companies*

Property, plant and equipment, right-of-use assets and investments in subsidiary corporations and associated companies are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash inflows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the cash-generating units ("CGU") to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss.

A reversal of impairment loss for an asset is recognised in profit or loss.

**2.9 Financial assets**

***(a) Classification and measurement***

The Group classifies its financial assets in the measurement category of amortised cost and fair value through other comprehensive income ("FVOCI").

The classification depends on the Group's business model for managing the financial assets as well as the contractual terms of the cash flows of the financial asset.

# NOTES TO THE *FINANCIAL STATEMENTS*

For the financial year ended 31 December 2023

**2 Material accounting policies** (continued)

**2.9 Financial assets** (continued)

***(a) Classification and measurement*** (continued)

The Group reclassifies debt instruments when and only when its business model for managing those assets changes.

At initial recognition

At initial recognition, the Group measures a financial asset at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset.

At subsequent measurement

*(i) Debt instruments*

Debt instruments mainly comprise cash and cash equivalents and trade and other receivables.

Debt instruments that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost.

*(ii) Equity instruments*

The Group subsequently measures all its equity investments at their fair values. Equity investments are classified as fair value through profit or loss ("FVPL") with movements in their fair values recognised in profit or loss in the period in which the changes arise and presented in "other gains and losses", except for those equity securities which are not held for trading. The Group has elected to recognise changes in fair value of equity securities not held for trading in other comprehensive income as these are strategic investments and the Group considers this to be more relevant. Movements in fair values of investments classified as FVOCI are presented as "Fair value gains/(losses)" in Other Comprehensive Income. Dividends from equity investments are recognised in profit or loss as "Dividend income".

***(b) Impairment***

The Group assesses on a forward looking basis the expected credit losses associated with its debt financial assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.
Note 31(b) to the financial statements details how the Group determines whether there has been a significant increase in credit risk.

For trade receivables and finance lease receivables, the Group applies the simplified approach permitted by SFRS(I) 9 - Financial Instruments, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

# NOTES TO THE *FINANCIAL STATEMENTS*

For the financial year ended 31 December 2023

**2 Material accounting policies** (continued)

**2.9 Financial assets** (continued)

***(c) Recognition and derecognition***

Regular way purchases and sales of financial assets are recognised on trade date – the date on which the Group commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

On disposal of a debt instrument, the difference between the carrying amount and the sale proceeds is recognised in profit or loss. Any amount previously recognised in other comprehensive income relating to that asset is reclassified to profit or loss.

On disposal of an equity investment, the difference between the carrying amount and sales proceed is recognised in profit or loss if there was no election made to recognise fair value changes in other comprehensive income. If there was an election made, any difference between the carrying amount and sales proceed amount would be recognised in other comprehensive income and transferred to retained profits along with the amount previously recognised in other comprehensive income relating to that asset.

**2.10 Offsetting of financial instruments**

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

**2.11 Financial guarantees**

The Group has issued corporate guarantees to a creditor and banks for bank borrowings of its subsidiary corporation and an associated company. These guarantees are financial guarantees as they require the Group to reimburse the creditor and banks if the subsidiary corporation and the associated company fail to make principal or interest payments when due in accordance with the terms of their borrowings. Intra-group transactions are eliminated on consolidation.

Financial guarantee contracts are initially measured at fair value and subsequently measured at the amount of expected loss allowance computed using the impairment methodology under Note 2.9 to the financial statements. Unless it is probable that the Group will reimburse the banks for an amount higher than the unamortised amount. In this case, the financial guarantees shall be carried at the expected amount payable to banks in the Group's statement of financial position.

**2.12 Borrowings**

Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the reporting date, in which case they are presented as non-current liabilities.

Borrowings are initially recognised at fair value (net of transaction costs) and subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

# NOTES TO THE *FINANCIAL STATEMENTS*

For the financial year ended 31 December 2023

**2 Material accounting policies** (continued)

**2.13 Trade and other payables**

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. They are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). Otherwise, they are presented as non-current liabilities.

Trade and other payables are initially recognised at fair value, and subsequently carried at amortised cost using the effective interest method.

**2.14 Leases**

***(a) When the Group is the lessee***

At the inception of the contract, the Group assesses if the contract contains a lease. A contract contains a lease if the contract convey the right to control the use of an identified asset for a period of time in exchange for consideration. Reassessment is only required when the terms and conditions of the contract are changed.

*(i) Right-of-use assets*

The Group recognises a right-of-use asset and lease liability at the date which the underlying asset is available for use. Right-of-use assets are measured at cost which comprises the initial measurement of lease liabilities adjusted for any lease payments made at or before the commencement date and lease incentive received. Any initial direct costs that would not have been incurred if the lease had not been obtained are added to the carrying amount of the right-of-use assets.

These right-of-use assets are subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

Right-of-use assets are presented within "Property, plant and equipment".

*(ii) Lease liabilities*

The initial measurement of lease liability is measured at the present value of the lease payments discounted using the interest rate implicit in the lease, if the rate can be readily determined. If that rate cannot be readily determined, the Group shall use its incremental borrowing rate.

Lease payments consist of the fixed payment (including in-substance fixed payments), less any lease incentives receivables.

Lease liability is measured at amortised cost using the effective interest method. Lease liability shall be remeasured when:

– There is a change in future lease payments arising from changes in an index or rate;

– There is a change in the Group's assessment of whether it will exercise an extension option; or

# NOTES TO THE *FINANCIAL STATEMENTS*

For the financial year ended 31 December 2023

**2 Material accounting policies** (continued)

**2.14 Leases** (continued)

***(a) When the Group is the lessee*** (continued)

*(ii) Lease liabilities* (continued)

Lease liability is measured at amortised cost using the effective interest method. Lease liability shall be remeasured when: (continued)

– There is a modification in the scope or the consideration of the lease that was not part of the original term.

Lease liability is remeasured with a corresponding adjustment to the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

*(iii) Short term and low value leases*

The Group has elected to not recognise right-of-use assets and lease liabilities for short-term leases that have lease terms of 12 months or less and leases of low value leases. Lease payments relating to these leases are expensed to profit or loss on a straight-line basis over the lease term.

**2.15 Inventories**

Inventories are carried at the lower of cost and net realisable value. Cost is determined using the first-in, first-out method. Where necessary, write-down is provided for damaged, obsolete and slow-moving items to adjust the carrying value of inventories to the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and applicable variable selling expenses.

**2.16 Income taxes**

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a tax authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiary corporations and associated companies except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

# NOTES TO THE *FINANCIAL STATEMENTS*

For the financial year ended 31 December 2023

**2 Material accounting policies** (continued)

**2.16 Income taxes** (continued)

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

Deferred income tax is measured:

(i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date; and

(ii) based on the tax consequence that will follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred income taxes are recognised as income or expense in profit or loss, except to the extent that the tax arises from a business combination or a transaction which is recognised directly in equity. Deferred tax arising from a business combination is adjusted against goodwill on acquisition.

The Group accounts for investment tax credits similar to accounting for other tax credits where deferred tax asset is recognised for unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax credit can be utilised.

**2.17 Provisions**

***(a) General***

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

***(b) Asset dismantlement, removal or restoration***

Provision for asset dismantlement, removal or restoration are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amounts have been reliably estimated.

The Group recognises the estimated costs of dismantlement, removal or restoration of items of property, plant equipment arising from the acquisition or use of assets. This provision is estimated based on the best estimate of the expenditure required to settle the obligation, taking into the consideration time value.

Changes in the estimated timing or amount of the expenditure or discount rate for asset dismantlement, removal and restoration costs, are adjusted against the cost of the related property, plant and equipment, unless decrease in the liability exceeds the carrying amount of the asset or asset has reached the end of its useful life. In such cases, the excess of the decrease over the carrying amount of the asset or changes in the liability is recognised in profit or loss immediately.

# NOTES TO THE *FINANCIAL STATEMENTS*

For the financial year ended 31 December 2023

**2 Material accounting policies** (continued)

**2.18 Employee compensation**

Employee benefits are recognised as an expense, unless the cost qualifies to be capitalised as an asset.

***(a) Defined contribution plans***

The Group participates in the national schemes as defined by the laws of the countries in which it has operations.

Singapore

The Company and its Singapore subsidiary corporations' defined contribution plans are post-employment benefit plans under which the Company and its Singapore subsidiary corporations pay fixed contributions into separate entities such as the Central Provident Fund on a mandatory, contractual or voluntary basis. The Company and its Singapore subsidiary corporations have no further payment obligations once the contributions have been paid. The Company and its Singapore subsidiary corporations' contributions are recognised as expense in the period in which the related services are performed.

People's Republic of China ("PRC")

The subsidiary corporations that are incorporated and operating in the PRC are required to provide certain retirement plan contribution to their employees under the PRC regulations. Contributions are provided at rates stipulated by the PRC regulations and are managed by government agencies, which are responsible for administering these amounts for the subsidiary corporations' employees.

Contributions to defined contribution retirement plans are recognised as an expense in the period in which the related service is performed.

***(b) Employee leave entitlement***

Employee entitlements to annual leave are recognised as liability when they accrue to the employees. The estimated liability for leave is recognised for services rendered by employees up to the end of the reporting period.

***(c) Termination benefits***

Termination benefits are those benefits which are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the Group recognises costs for a restructuring that is within the scope of SFRS(I) 1-37 Provisions, Contingent Liabilities and Contingent Assets and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

# NOTES TO THE *FINANCIAL STATEMENTS*

For The Financial Year Ended 31 December 2023

**2 Material accounting policies** (continued)

**2.19 Currency translation**

***(a) Functional and presentation currency***

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The financial statements are presented in Singapore Dollar ("S$"), which is the functional currency of the Company.

***(b) Transactions and balances***

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency exchange differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the reporting date are recognised in profit or loss. Monetary items include primarily financial assets (other than equity investments) and financial liabilities. However, in the consolidated financial statements, currency translation differences arising from borrowings in foreign currencies are recognised in other comprehensive income and accumulated in the currency translation reserve.

When a foreign operation is disposed of or any loan forming part of the net investment of the foreign operation is repaid, a proportionate share of the accumulated currency translation differences is reclassified to profit or loss, as part of the gain or loss on disposal.

All other foreign exchange gains or losses impacting profit or loss are presented on the face of the consolidated statement of comprehensive income. Non-monetary items measured at fair value in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

***(c) Translation of Group entities' financial statements***

The results and financial positions of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities are translated at the closing exchange rates at the reporting date;

(ii) income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions); and

(iii) all resulting currency translation differences are recognised in other comprehensive income and accumulated in the currency translation reserve. These currency translation differences are reclassified to profit or loss on disposal or partial disposal with loss of control of the foreign operation.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and translated at the closing rates at the reporting date.

# NOTES TO THE *FINANCIAL STATEMENTS*

For the financial year ended 31 December 2023

**2 Material accounting policies** (continued)

**2.20 Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the executive committee whose members are responsible for allocating resources and assessing performance of the operating segments.

**2.21 Cash and cash equivalents**

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash on hand, deposits with financial institutions which are subject to an insignificant risk of change in value, and bank overdrafts. Bank overdrafts are presented as current borrowings on the statement of financial position. For cash subjected to restriction, assessment is made on the economic substance of the restriction and whether they meet the definition of cash and cash equivalents.

**2.22 Share capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

**3 Critical accounting estimates, assumptions and judgements**

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under circumstances.

***(a) Valuation of investment properties of an associated company ("Fengchi IOT")***

The Group adopted the fair value model for the investment properties of an associated company. The Group has engaged an independent valuer to determine the fair value of the investment properties. The valuation is determined using the income approach, which provides an indication of fair value by converting future cash flow to a single current value. Under the income approach, the fair value of the investment properties is determined by reference to the value of income, cash flow or cost saving generated by the asset, based on a range of assumptions and estimates (including, amongst others, gross capitalisation rates and estimated market rental yields).

The key assumptions used in determining the fair value of the investment properties are set out below:

| | 2023 | | 2022 | |
|---|---|---|---|---|
| **Property segment** | **Capitalisation rate** | **Market rental per month** | **Capitalisation rate** | **Market rental per month** |
| Car garage | 6.0% | RMB 300.00 | 6.0% | RMB 300.00 |
| Office property | 6.0% | RMB 55.50 | 5.5% | RMB 64.10 |
| Exhibition mall | 6.0% | RMB 18.00 – RMB 30.00 | 5.5% - 6.0% | RMB 24.00 – RMB 30.00 |

# NOTES TO THE *FINANCIAL STATEMENTS*

For the financial year ended 31 December 2023

**3 Critical accounting estimates, assumptions and judgements** (continued)

***(a) Valuation of investment properties of an associated company ("Fengchi IOT")*** (continued)

The fair value determined by the independent valuer is S$100,680,000 which is lower than the carrying amount of S$112,078,000 (2022: S$116,367,000 which is higher than the carrying amount of S$99,174,000). Accordingly, Fengchi IOT recorded a net loss of S$14,810,000 (2022: net profit of S$11,709,000), which mainly comprised fair value loss on investment properties amounting to S$11,398,000 (2022: fair value gain on investment properties amounting to S$17,193,000).

Therefore, the Group's share of loss of Fengchi IOT amounted to S$7,257,000 (2022: share of profit of Fengchi IOT amounted to S$5,737,000) for the financial year ended 31 December 2023. The carrying amount of the investment in associated companies as at 31 December 2023 is disclosed in Note 17 to the financial statements.

If the valuation of the investment properties increased/decreased by 1%, the carrying amount of the investment in associated companies will be increased/decreased by S$493,300 (2022: S$570,200).

***(b) Valuation of financial assets, at FVOCI***

The fair value of the financial assets is determined by using the trading metrics (multiples) of comparable companies which are publicly-listed companies and applying discount rate to the estimated equity value to account for the lack of marketability and/or lack of control within the subject entity. The carrying amount of the financial assets, at FVOCI as at 31 December 2023 and the fair value changes for the financial year ended 31 December 2023 are disclosed in Note 16 to the financial statements.

If the estimated fair value increased/decreased by 10%, the carrying amount of the financial assets, at FVOCI will be increased/decreased by S$533,000 (2022: S$429,000).

***(c) Expected credit losses of loan to an associated company ("Fengchi IOT")***

As at 31 December 2023, the Group's loan to an associated company amounted to S$39,650,000 (2022: S$39,251,000) as disclosed in Note 14 to the financial statements. The Group measures expected credit loss ("ECL") using general approach as permitted by SFRS(I) 9 - Financial Instruments. Under the general approach, the loss allowance is measured at an amount equal to 12-month ECL at initial recognition.

At each reporting date, the Group assesses whether the credit risk of the loan to an associated company has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECL.

When determining whether the credit risk of the loan to an associated company has increased significantly since initial recognition and when estimating ECL, the Group considered reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment.

# NOTES TO THE *FINANCIAL STATEMENTS*

For the financial year ended 31 December 2023

**3 Critical accounting estimates, assumptions and judgements** (continued)

***(c) Expected credit losses of loan to an associated company ("Fengchi IOT")*** (continued)

The assessment of the correlation between historical observed default rates and ECL is a significant estimate. The amount of ECL is sensitive to changes in circumstances. The Group's historical credit loss experience may also not be representative of the receivables' actual default in the future.

The information about the ECL on the Group's other receivables is disclosed in Note 31 (b)(ii) to the financial statements.

**4 Revenue**

*Disaggregation of revenue*

The Group derives revenue from the transfer of goods and services at a point in time and over time in the following major revenue stream and geographical regions. Revenue is attributed to countries by location of customers.

| | **Group** | | | |
|---|---|---|---|---|
| | **Singapore** | **Vietnam** | **PRC** | **Total** |
| | **S$'000** | **S$'000** | **S$'000** | **S$'000** |
| **2023** | | | | |
| Over time | | | | |
| Royalty fees | - | 56 | 26 | 82 |
| Point in time | | | | |
| Restaurant operations | 17,875 | - | - | 17,875 |
| | 17,875 | 56 | 26 | 17,957 |
| **2022** | | | | |
| Over time | | | | |
| Royalty fees | 120 | 64 | 11 | 195 |
| Point in time | | | | |
| Restaurant operations | 16,055 | - | - | 16,055 |
| Car washing operations | - | - | 59 | 59 |
| | 16,175 | 64 | 70 | 16,309 |

# NOTES TO THE *FINANCIAL STATEMENTS*

For the financial year ended 31 December 2023

## 5 Other income

| | Group | |
|---|---|---|
| | **2023** | **2022** |
| | **S$'000** | **S$'000** |
| Government grants [a] | | |
| - Senior Employment Credit | 22 | 26 |
| - Wage Credit Scheme | 129 | 31 |
| - Jobs Support Scheme | - | 9 |
| - Jobs Growth Incentive | - | 50 |
| - CPF Transition Offset | 6 | 3 |
| - Small Business Recovery Grant | - | 20 |
| - Enterprise Singapore Grant | 5 | - |
| - Skills Future Enterprise Credit | 1 | - |
| | 163 | 139 |
| Gain on disposal of property plant and equipment | 179 | 21 |
| Gain on lease modification relating to termination of the lease | - | 9 |
| Rental concession | - | 19 |
| Rental rebate | - | 32 |
| Cash rebates from suppliers | 18 | 10 |
| Other | 38 | 22 |
| | 398 | 252 |

(a) There was no condition attached to the government grants.

## 6 Employee compensation

| | Group | |
|---|---|---|
| | **2023** | **2022** |
| | **S$'000** | **S$'000** |
| Salaries and bonus | 4,212 | 4,541 |
| Employer's contribution to defined contributions plan | 427 | 521 |
| Termination benefits [1] | - | 60 |
| Other short-term benefits | 777 | 697 |
| | 5,416 | 5,819 |

(1) During the financial year ended 31 December 2022, the Group has ceased the business of a subsidiary corporation, Tianjin Yixing Intelligent Washing Technology Co., Ltd.. As a result, the Group recognised termination benefits of S$60,000 after reaching an agreement on voluntary redundancy with the affected employees.

# NOTES TO THE *FINANCIAL STATEMENTS*

For the financial year ended 31 December 2023

## 7 Finance expenses

| | Group | |
|---|---|---|
| | 2023 | 2022 |
| | S$'000 | S$'000 |
| Interest expense | | |
| - Bank overdraft | 2 | 20 |
| - Bank borrowings | 43 | 60 |
| - Lease liabilities (Note 20(b)) | 109 | 46 |
| | 154 | 126 |

## 8 Other operating expenses

| | Group | |
|---|---|---|
| | 2023 | 2022 |
| | S$'000 | S$'000 |
| Advertisement | 3 | 10 |
| Auditor's remuneration paid/payable to: | | |
| - Auditor of the Company | 129 | 117 |
| - Other auditors [(a)] | 8 | 12 |
| Bank charges | 356 | 307 |
| Cleaning | 208 | 166 |
| Consumables | 115 | 127 |
| Deposits forfeited | - | 310 |
| Directors' fees | 110 | 99 |
| Entertainment | 19 | 44 |
| Property, plant and equipment written off | 11 | 521 |
| General | 84 | 92 |
| Insurance | 18 | 17 |
| Printing and stationery | 31 | 35 |
| Professional fees | 392 | 238 |
| Rental expenses (Note 20(c)) | 89 | 114 |
| Repair and maintenance | 55 | 55 |
| Stamp duty | 26 | 6 |
| Services charge | 387 | 486 |
| Telecommunication | 22 | 23 |
| Travelling and transportation | 74 | 117 |
| Upkeep of motor vehicles | 36 | 62 |
| Utilities | 452 | 484 |
| Other | 63 | 134 |
| Total other operating expenses | 2,688 | 3,576 |

(a) Includes Shanghai CLA Global TS Certified Public Accountants.

# NOTES TO THE *FINANCIAL STATEMENTS*

For the financial year ended 31 December 2023

## 9 Income taxes

### *(a) Income tax expense*

| | Group 2023 S$'000 | Group 2022 S$'000 |
|---|---|---|
| Tax expense/(credit) attributable to (loss)/profit is made up of: | | |
| (Loss)/profit for the financial year: | | |
| - Current income tax - Singapore (Note 9(b)) | 416 | 96 |
| Over provision of income tax in prior financial years: | | |
| - Current income tax - Singapore (Note 9(b)) | (58) | (2) |
| | 358 | 94 |

The tax on the Group's (loss)/profit before income tax differs from the theoretical amount that would arise using the Singapore standard rate of income tax is as follows:

| | Group 2023 S$'000 | Group 2022 S$'000 |
|---|---|---|
| (Loss)/profit before income tax | (4,341) | 1,854 |
| Share of loss/(profit) of associated companies (Note 17) | 7,991 | (5,737) |
| Profit/(loss) before income tax and share of loss/(profit) of associated companies | 3,650 | (3,883) |
| Tax calculated at tax rate of 17% (2022: 17%) | 621 | (660) |
| Effects of: | | |
| - Different tax rates in other countries | (20) | (1) |
| - Income not subject to tax | (353) | (105) |
| - Expenses not deductible for tax purposes | 338 | 155 |
| - Utilisation of previously unrecognised tax losses | (197) | (184) |
| - Tax incentives | (35) | - |
| - Deferred tax assets not recognised | 62 | 891 |
| - Over provision of tax in prior financial years | (58) | (2) |
| Tax expense | 358 | 94 |

# NOTES TO THE *FINANCIAL STATEMENTS*

For the financial year ended 31 December 2023

**9 Income taxes** (continued)

***(a) Income tax expense*** (continued)

Deferred income tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefits through future taxable profits is probable. The Group has unrecognised tax losses and capital allowance of approximately S$10,992,000 (2022: S$11,787,000) at the reporting date which can be carried forward and used to offset against future taxable income subject to meeting certain statutory requirements by those companies with unrecognised tax losses in their respective countries of incorporation. The tax losses and capital allowance have no expiry date except for tax losses which amounted to approximately S$6,511,000 (2022: S$6,149,000) which can only be carried forward up to 5 years.

***(b) Movement in current income tax liabilities:***

| | Group | |
|---|---|---|
| | **2023** **S$'000** | **2022** **S$'000** |
| Beginning of financial year | 96 | 2 |
| Income tax paid | (38) | - |
| Tax expense (Note 9(a)) | 416 | 96 |
| Over provision in prior financial years (Note 9(a)) | (58) | (2) |
| End of financial year | 416 | 96 |

**10 Loss per share**

Basic loss per ordinary share is calculated by dividing the net loss attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

| | Group | |
|---|---|---|
| | **2023** | **2022** |
| Loss attributable to equity holders of the Company (S$'000) | (4,661) | (674) |
| Weighted average number of ordinary shares outstanding for basic earnings per share | 1,434,967,260 | 693,306,992 |
| Basic loss per share (cents per share) | (0.32) | (0.10) |

The dilutive loss per share is the same as the basic loss per share as there were no dilutive potential shares.

# NOTES TO THE *FINANCIAL STATEMENTS*

For the financial year ended 31 December 2023

## 11 Cash and cash equivalents

| | Group | | Company | |
|---|---|---|---|---|
| | **2023** **S$'000** | **2022** **S$'000** | **2023** **S$'000** | **2022** **S$'000** |
| Cash at bank and on hand | 3,460 | 3,205 | 96 | 17 |
| Short-term bank deposits | 2,288 | 361 | - | - |
| | 5,748 | 3,566 | 96 | 17 |

For the purpose of presenting the consolidated statement of cash flows, cash and cash equivalents comprise the following:

| | Group | |
|---|---|---|
| | **2023** **S$'000** | **2022** **S$'000** |
| Cash at bank and on hand (as above) | 5,748 | 3,566 |
| Less : Bank overdrafts (Note 23) | - | (379) |
| Cash and cash equivalents per consolidated statement of cash flows | 5,748 | 3,187 |

Significant restrictions

Cash and cash equivalents of S$1,102,000 (2022: S$528,000) are held in PRC and are subject to local exchange control regulations. These local exchange regulations provide for restrictions on exporting capital from the country, other than through dividends.

# NOTES TO THE *FINANCIAL STATEMENTS*

For the financial year ended 31 December 2023

## 12 Trade and other receivables – current

| | Group | | Company | |
|---|---|---|---|---|
| | 2023 S$'000 | 2022 S$'000 | 2023 S$'000 | 2022 S$'000 |
| **Finance lease receivables** | | | | |
| - Non-related parties | - | 8,531 | - | - |
| Less: Loss allowance (Note 31(b)) | - | (8,531) | - | - |
| Finance lease receivables - net | - | - | - | - |
| **Trade receivables** | | | | |
| - Non-related parties | 146 | 152 | 5 | 5 |
| - Subsidiary corporations | - | - | 50 | 400 |
| | 146 | 152 | 55 | 405 |
| Less: Loss allowance (Note 31(b)) | - | - | - | (49) |
| Trade receivables – net | 146 | 152 | 55 | 356 |
| **Other receivables** | | | | |
| - Non-related parties [(a)] | 56 | 6,714 | - | - |
| - Subsidiary corporations [(b)] | - | - | 4,738 | 4,074 |
| - Associated company [(c)] | - | 1,586 | - | - |
| | 56 | 8,300 | 4,738 | 4,074 |
| Less: Loss allowance (Note 31(b)) | - | (6,698) | (1,703) | (3,353) |
| Other receivables – net | 56 | 1,602 | 3,035 | 721 |
| Prepayments | 44 | 19 | 24 | 2 |
| Deposits | 34 | 100 | - | - |
| Staff loans (Note 15) | 1 | 8 | - | - |
| | 281 | 1,881 | 3,114 | 1,079 |

Included in other receivables are the following:

(a) Amount due from the non-related parties includes a loan amounting to S$6,698,000 (equivalent to RMB34,653,000) as at 31 December 2022. The loan is secured by various personal assets from the non-related parties with interest rate fixed at 10% per annum and repayable by 20 November 2018.

However, in August 2018, management noted various parties had taken legal actions against the non-related parties to demand for payments or take possession of the personal assets. Consequently, the Group also filed legal proceeding against the non-related parties to demand for immediate payments.

In view of the uncertain outcome of the legal proceedings, the expected credit risk of the receivable had heightened hence, the receivable amount has been fully impaired in the financial year ended 31 December 2018.

During the financial year ended 31 December 2023, the management has fully written off the receivable amount as there was no realistic prospect of recovery.

# NOTES TO THE *FINANCIAL STATEMENTS*

For the financial year ended 31 December 2023

**12 Trade and other receivables – current** (continued)

(b) Amount due from subsidiary corporations which are non-trade in nature, are unsecured, interest-free and repayable on demand.

(c) The loan to an associated company is unsecured, bears interest rate at 5% per annum and is repayable in full by 31 December 2022. The associated company has fully repaid the loan during the financial year ended 31 December 2023.

**13 Inventories**

| | Group | |
|---|---|---|
| | **2023 S$'000** | **2022 S$'000** |
| Processed inventories | 1,009 | 823 |
| Raw materials | 1,412 | 611 |
| | 2,421 | 1,434 |

The cost of inventories recognised as an expense presented in the consolidated statement of comprehensive income amounted to S$5,422,000 (2022: S$5,797,000).

**14 Other receivables – non-current**

| | Group | | Company | |
|---|---|---|---|---|
| | **2023 S$'000** | **2022 S$'000** | **2023 S$'000** | **2022 S$'000** |
| Deposits | 398 | 398 | - | - |
| Loan to an associated company [(a)] | 39,650 | 39,251 | 39,650 | 39,251 |
| Subsidiary corporation [(b)] | - | - | 3,965 | - |
| Staff loans (Note 15) | - | 6 | - | - |
| | 40,048 | 39,655 | 43,615 | 39,251 |

(a) The loan to an associated company is unsecured, bears interest rate at 5% per annum and will be repayable in full by 12 August 2025. The loan is used to repay the bank loan and amount due to a creditor of the associated company in respect of the construction of the logistics hub of the aforesaid associated company in Tianjin, People's Republic of China.

(b) Amount due from a subsidiary corporation - Tianjin Lanting Leasing Co., Ltd. of S$3,965,000 relates to the purchase consideration of USD3 million for the acquisition of 50% equity interest in another subsidiary corporation, Tianjin Yixing Intelligent Washing Technology Co., Ltd. from the Company (Note 18). The amount is non-trade in nature, unsecured, interest-free and repayable in full by 5 January 2026.

# NOTES TO THE *FINANCIAL STATEMENTS*

For the financial year ended 31 December 2023

**14 Other receivables – non-current** (continued)

The fair values of non-current other receivables are computed based on cash flows discounted at market borrowing rates. The fair values are within level 2 of the fair value hierarchy. The fair values and the market borrowing rates are used as follows:

| | Group | | | |
|---|---|---|---|---|
| | **Borrowing rates** | | **Fair value** | |
| | **2023 %** | **2022 %** | **2023 S$'000** | **2022 S$'000** |
| Deposits | 2.34 | 1.74 | 375 | 379 |
| Loan to an associated company | 5.50 | 5.00 | 35,623 | 33,906 |
| Staff loans | - | 5.00 | - | 3 |

| | Company | | | |
|---|---|---|---|---|
| | **Borrowing rates** | | **Fair value** | |
| | **2023 %** | **2022 %** | **2023 S$'000** | **2022 S$'000** |
| Loan to an associated company | 5.50 | 5.00 | 35,623 | 33,906 |
| Subsidiary corporation | 5.50 | - | 3,376 | - |

**15 Staff loans**

| | Group | |
|---|---|---|
| | **2023 S$'000** | **2022 S$'000** |
| Receivables due | | |
| - Within one year (Note 12) | 1 | 8 |
| - Between one year and five years (Note 14) | - | 6 |
| | 1 | 14 |

Staff loans are unsecured, interest-free and repayable by instalments which will be repayable in full by 30 April 2024 (2022: 30 November 2024).

# NOTES TO THE *FINANCIAL STATEMENTS*

For the financial year ended 31 December 2023

## 16 Financial assets, at FVOCI

| | Group | |
|---|---|---|
| | **2023** | **2022** |
| | **S$'000** | **S$'000** |
| **Unquoted equity security – Lingbao Gold Group Co., Ltd ("Lingbao")** | | |
| Beginning of financial year | 4,294 | 4,162 |
| Fair value gains (Note 27(b)(iii)) | 1,038 | 132 |
| End of financial year | 5,332 | 4,294 |

The financial asset, at FVOCI represents 9,950,249 (2022: 9,950,249) shares held in a company - Lingbao that is engaged in the mining, processing, smelting and sale of gold and other metallic products. Lingbao is a joint stock limited company incorporated in PRC, which partially of its shares are listed on the Stock Exchange of Hong Kong Limited.

The Group has elected to measure the above financial asset at FVOCI due to management's intention to hold the financial asset for strategic investment purpose.

## 17 Investments in associated companies

| | Group | |
|---|---|---|
| | **2023** | **2022** |
| | **S$'000** | **S$'000** |
| Investments at equity accounting | | |
| Beginning of financial year | 12,963 | 7,818 |
| Currency translation differences | (462) | (592) |
| Capital injection to an associated company | 766 | - |
| Share of (loss)/profit of associated companies | (7,991) | 5,737 |
| End of financial year | 5,276 | 12,963 |

# NOTES TO THE *FINANCIAL STATEMENTS*

For the financial year ended 31 December 2023

**17 Investments in associated companies** (continued)

Set out below are the associated companies of the Group.

There are no contingent liabilities relating to the Group's interest in the associated companies.

| Name of associated companies | Principal activities | Place of business / country of incorporation | % of ownership interest | |
|---|---|---|---|---|
| | | | 2023 | 2022 |
| Held through Pavillon Business Development (Shanghai) Co., Ltd. | | | | |
| Daju Logistics (Tianjin) Co., Ltd. ("Daju") [(a) (1)] | Logistics management, non-residential real estate leasing such as conference and exhibition services, car sales and new energy vehicle sales. | PRC | 49 | 49 |
| Held through Tianjin Lanting Enterprise Management Co., Ltd. (formerly known as Tianjin Pavillon Assets Management Co., Ltd.) | | | | |
| Fengchi IOT Management Co., Ltd. ("Fengchi IOT") [(a) (2)] | Warehouse and logistics management | PRC | 49 | 49 |
| Held through Fengchi IOT | | | | |
| Tianjin Fengyu Corporate Secretarial Co., Ltd. [(b)] | Provision of corporate secretarial services | PRC | 49 | 49 |

(a) Audited by Shanghai CLA Global TS Certified Public Accountants.

(b) The associated company is exempted from audit by law in the country of incorporation. It is not significant to the Group.

(1) During the financial year ended 31 December 2022, a subsidiary corporation of the Company – Pavillon Business Development (Shanghai) Co., Ltd. together with Shanghai Liuyu Information Technology Co., Ltd., a company where Ding Furu is the ultimate beneficial shareholder, has incorporated an entity – Da Ju Logistics (Tianjin) Co., Ltd. with registered share capital amounted to RMB30,000,000, of which 49% of the register share capital is registered under Pavillon Business Development (Shanghai) Co., Ltd. As at 31 December 2022, the Group has not made any capital contribution into Da Ju Logistics (Tianjin) Co., Ltd. and the outstanding capital commitment of the Group is S$2,842,000 (equivalent to RMB14,700,000).

During the financial year ended 31 December 2023, a subsidiary corporation of the Company, Pavillon Business Development (Shanghai) Co., Ltd. has injected S$766,000 (equivalent to RMB 4,000,000) in Daju Logistics (Tianjin) Co., Ltd as paid-up capital in proportion to its shareholding of the associated company.

(2) During the financial year ended 31 December 2022, a subsidiary corporation of the Company – Tianjin Lanting Leasing Co., Ltd. had transferred its entire 49% equity interest held in Fengchi IOT Management Co., Ltd. to another subsidiary corporation of the Company – Tianjin Lanting Enterprise Management Co., Ltd. (formerly known as Tianjin Pavillon Assets Management Co., Ltd.) for a cash consideration of S$17,397,000 (equivalent to RMB 90,000,000).

# NOTES TO THE *FINANCIAL STATEMENTS*

For the financial year ended 31 December 2023

**17 Investments in associated companies** (continued)

Set out below is the summarised financial information for the associated companies of the Group.

Summarised statement of financial position

| | Daju Logistics (Tianjin) Co., Ltd. | Fengchi IOT Management Co., Ltd. | |
|---|---|---|---|
| | **2023** | **2023** | **2022** |
| | **S$'000** | **S$'000** | **S$'000** |
| **Current** | | | |
| Assets | 984 | 1,307 | 8,923 |
| Liabilities | (6) | (46,102) | (59,850) |
| **Total net current assets/(current liabilities)** | 978 | (44,795) | (50,927) |
| **Non-current** | | | |
| Assets | - | 100,789 | 116,633 |
| Liabilities | (930) | (45,275) | (39,251) |
| **Total net (non-current liabilities)/non-current assets** | (930) | 55,514 | 77,382 |
| **Net assets** | 48 | 10,719 | 26,455 |

Reconciliation of summarised financial information

| | Daju Logistics (Tianjin) Co., Ltd. | Fengchi IOT Management Co., Ltd. | |
|---|---|---|---|
| | **2023** | **2023** | **2022** |
| | **S$'000** | **S$'000** | **S$'000** |
| Net assets | 48 | 10,719 | 26,455 |
| Proportion of the Group's ownership | 49% | 49% | 49% |
| **Carrying value of the Group's interest in the associated companies** | 24 | 5,252 | 12,963 |

Summarised statement of comprehensive income

| | Daju Logistics (Tianjin) Co., Ltd. | Fengchi IOT Management Co., Ltd. | |
|---|---|---|---|
| | **2023** | **2023** | **2022** |
| | **S$'000** | **S$'000** | **S$'000** |
| Revenue | 157 | 3,104 | 5,376 |
| Total comprehensive (loss)/income, representing net (loss)/profit | (1,497) | (14,810) | 11,709 |

# NOTES TO THE *FINANCIAL STATEMENTS*

For the financial year ended 31 December 2023

**17 Investments in associated companies** (continued)

The information above reflects the amounts presented in the financial statements of the associated companies (and not the Group's share of those amounts), adjusted for differences in accounting policies between the Group and the associated companies.

The Group has not recognised its share of losses of its associated company, Tianjin Fengyu Corporate Secretarial Co., Ltd. amounting to less than S$1,000 (2022: less than S$1,000) as the Group's cumulative share of losses exceeded its interest in this associated company, and the Group has no obligation in respect of those losses. The cumulative unrecognised losses with respect to this associated company amounted to S$8,000 (2022: S$8,000) as at 31 December 2023.

**18 Investments in subsidiary corporations**

| | **Company** | |
|---|---|---|
| | **2023** | **2022** |
| | **S$'000** | **S$'000** |
| *Cost* | | |
| Beginning of financial year | 33,621 | 33,611 |
| Additional capital contribution in a subsidiary corporation [a] | 100 | - |
| Incorporation of a subsidiary corporation [b] | 10 | 10 |
| Disposal of a subsidiary corporation [c] | (2,849) | - |
| End of financial year | 30,882 | 33,621 |
| *Accumulated impairment losses* | | |
| Beginning of financial year | (21,139) | (20,159) |
| Impairment charge | - | (980) |
| Reversal | 100 | - |
| End of financial year | (21,039) | (21,139) |
| | 9,843 | 12,482 |

(a) Additional capital contribution in a subsidiary corporation

During the financial year ended 31 December 2023, the Company injected capital amounting to S$100,000 into a subsidiary corporation, Thai Village Pte. Ltd.

(b) Incorporation of a subsidiary corporation

During the financial year ended 31 December 2023, the Company incorporated a wholly-owned subsidiary corporation, Pavillon Overseas Investments Pte. Ltd. in Singapore, with an initial issued and paid-up share capital of S$10,000.

During the financial year ended 31 December 2022, the Company incorporated a wholly-owned subsidiary corporation, Pavillon Global Pte. Ltd. in Singapore, with an initial issued and paid-up share capital of S$10,000.

# NOTES TO THE *FINANCIAL STATEMENTS*

For the financial year ended 31 December 2023

**18 Investments in subsidiary corporations** (continued)

(c) Dilution of interest in a subsidiary corporation without loss of control

On 9 January 2023, the Company had transferred its entire 50% equity interest held in a subsidiary corporation, Tianjin Yixing Intelligent Washing Technology Co., Ltd. ("Tianjin Yixing") to another subsidiary corporation of the Company, Tianjin Lanting Leasing Co., Ltd. for a consideration of S$4,038,000 (equivalent to USD3,000,000). As a result, the Company's equity interest in Tianjin Yixing was diluted by 12.01% from 87.99% to 75.98%, and the non-controlling interests' ("NCI") equity interest in Tianjin Yixing have increased from 12.01% to 24.02%. Consequently, the carrying amount of NCI in Tianjin Yixing has increased by S$687,000.

The effects of changes in the ownership interest of Tianjin Yixing on the equity attributable to owners of the Company during the financial year is summarised as follows:

| | **2023**<br>**S$'000** |
|---|---|
| Net assets of Tianjin Yixing at the date of transfer | 5,720 |
| Changes of NCI's share of Tianjin Yixing's net assets | 12.01% |
| Effect of changes in shareholdings in Tianjin Yixing without change of control | 687 |

2023

Management reviewed the financial position and financial performance of the subsidiary corporation, Thai Village Pte. Ltd. and noted that the impairment loss of S$100,000 is no longer required. This is due to the subsidiary corporation successfully turning around its financial position from net liabilities position to net assets position. In addition, the subsidiary corporation has recorded a net profit for three consecutive years. Consequently, a reversal of impairment loss amounting to S$100,000 was recognised during the financial year ended 31 December 2023.

2022

The impairment test assessment was carried out by management as at 31 December 2022 for the subsidiary corporation – Tianjin Yixing Intelligent Washing Technology Co., Ltd. The recoverable amount was determined based on the fair values of the underlying assets and the liabilities of the subsidiary corporation which has indicated that the recoverable amount for the investment is lower than its carrying amount. Consequently, due to weak financial performance, the Company recognised impairment of investments in subsidiary corporations amounted to S$980,000 during the financial year ended 31 December 2022.

# NOTES TO THE *FINANCIAL STATEMENTS*

For the financial year ended 31 December 2023

**18 Investments in subsidiary corporations** (continued)

Details of the Group's subsidiary corporations are as follows:

| Name | Principal activities | Country of business/ incorporation | Proportion of ordinary shares held by the Company | | Proportion of ordinary shares held by the Group | | Proportion of ordinary shares held by non-controlling interests | |
|---|---|---|---|---|---|---|---|---|
| | | | 2023 % | 2022 % | 2023 % | 2022 % | 2023 % | 2022 % |
| Held by the Company | | | | | | | | |
| Thai Village Restaurant Pte. Ltd. [(a)] | Operation of restaurants | Singapore | 100 | 100 | 100 | 100 | - | - |
| Thai Village Pte. Ltd. [(a)] | Operation of restaurants and food stalls | Singapore | 100 | 100 | 100 | 100 | - | - |
| Pavillon Global Pte. Ltd. [(a)] | Trading, distribution, import and export of food products | Singapore | 100 | 100 | 100 | 100 | - | - |
| Pavillon Overseas Investments Pte. Ltd. [(d)] | Other holding companies | Singapore | 100 | - | 100 | - | - | - |
| Tianjin Lanting Leasing Co., Ltd. [(b)] | Leasing of all types of goods, which may include machinery, tools, equipment, devices, vehicles and instruments and wholesale and retail of auto parts | PRC | 75.98 | 75.98 | 75.98 | 75.98 | 24.02 | 24.02 |
| Pavillon Business Development (Shanghai) Co., Ltd. [(b)] | Business development, trading, import and export of machineries and investment holdings | PRC | 100 | 100 | 100 | 100 | - | - |

# NOTES TO THE *FINANCIAL STATEMENTS*

For the financial year ended 31 December 2023

**18 Investments in subsidiary corporations** (continued)

Details of the Group's subsidiary corporations are as follows: (continued)

| Name | Principal activities | Country of business/ incorporation | Proportion of ordinary shares held by the Company | | Proportion of ordinary shares held by the Group | | Proportion of ordinary shares held by non-controlling interests | |
|---|---|---|---|---|---|---|---|---|
| | | | 2023 % | 2022 % | 2023 % | 2022 % | 2023 % | 2022 % |
| <u>Held by the Company</u> | | | | | | | | |
| Fengchi Real Estate Sdn. Bhd. [(c)] | Property management | Malaysia | 100 | 100 | 100 | 100 | - | - |
| <u>Held through Tianjin Lanting Leasing Co., Ltd.</u> | | | | | | | | |
| Tianjin Yixing Intelligent Washing Technology Co., Ltd. [(b)] | Financial leasing of all kind of machineries, tools and equipment | PRC | - | 50 | 75.98 | 87.99 | 24.02 | 12.01 |
| <u>Held through Pavillon Business Development (Shanghai) Co., Ltd.</u> | | | | | | | | |
| Tianjin Lanting Enterprise Management Co., Ltd. (formerly known as Tianjin Pavillon Assets Management Co., Ltd.) [(b)] | Asset Management, enterprise management, mergers and acquisitions and financial advisory services | PRC | 100 | 100 | 100 | 100 | - | - |

(a) Audited by CLA Global TS Public Accounting Corporation
(b) Audited by Shanghai CLA Global TS Certified Public Accountants for consolidation purposes.
(c) The subsidiary corporation is dormant and is exempted from audit by law in the country of incorporation. It is not significant to the Group.
(d) Incorporated on 11 September 2023 and not required to be audited by law in the country of incorporation.

*Carrying value of non-controlling interests*

| | 2023 S$'000 | 2022 S$'000 |
|---|---|---|
| Tianjin Lanting Leasing Co., Ltd. | 4,053 | 3,886 |
| Tianjin Yixing Intelligent Washing Technology Co., Ltd. | 1,296 | 686 |
| Total | 5,349 | 4,572 |

# NOTES TO THE *FINANCIAL STATEMENTS*

For the financial year ended 31 December 2023

**18 Investments in subsidiary corporations** (continued)

*Summarised financial information of subsidiary corporations with material non-controlling interests*

Set out below is the summarised financial information for each subsidiary corporations that has non-controlling interests that are material to the Group. These are presented before inter-company eliminations.

Summarised statement of financial position

| | Tianjin Lanting Leasing Co., Ltd. | | Tianjin Yixing Intelligent Washing Technology Co., Ltd. | |
|---|---|---|---|---|
| | **2023 S$'000** | **2022 S$'000** | **2023 S$'000** | **2022 S$'000** |
| **Current** | | | | |
| Assets | 16,826 | 17,490 | 5,402 | 5,712 |
| Liabilities | (9,320) | (5,606) | (7) | (3) |
| Total current net assets | 7,506 | 11,884 | 5,395 | 5,709 |
| **Non-current** | | | | |
| Assets | 13,298 | 8,223 | 1 | 11 |
| Liabilities | - | - | - | - |
| Total non-current net assets | 13,298 | 8,223 | 1 | 11 |
| **Net assets** | 20,804 | 20,107 | 5,396 | 5,720 |

Summarised statement of comprehensive income

| | Tianjin Lanting Leasing Co., Ltd. | | Tianjin Yixing Intelligent Washing Technology Co., Ltd. | |
|---|---|---|---|---|
| | **2023 S$'000** | **2022 S$'000** | **2023 S$'000** | **2022 S$'000** |
| Revenue | - | - | - | 59 |
| Net (loss)/profit for the financial year | (49) | 11,052 | (113) | (1,833) |
| Other comprehensive income/(loss) | 746 | (904) | (211) | (679) |
| Total comprehensive income/(loss), representing net profit/(loss) for the financial year | 697 | 10,148 | (324) | (2,512) |
| Total comprehensive income/(loss) allocated to non-controlling interests | 168 | 2,437 | (78) | (302) |

# NOTES TO THE *FINANCIAL STATEMENTS*

For the financial year ended 31 December 2023

**18 Investments in subsidiary corporations** (continued)

*Summarised financial information of subsidiary corporations with material non-controlling interests* (continued)

Summarised statement of cash flows

| | Tianjin Lanting Leasing Co., Ltd. | | Tianjin Yixing Intelligent Washing Technology Co., Ltd. | |
|---|---|---|---|---|
| | **2023 S$'000** | **2022 S$'000** | **2023 S$'000** | **2022 S$'000** |
| Net cash provided by/(used in) operating activities | 4 | (194) | 627 | (2,447) |
| Net cash provided by/(used in) investing activities | * | - | 8 | (470) |
| Net cash used in financing activities | - | - | - | (67) |
| Net increase/(decrease) in cash and cash equivalents | 4 | (194) | 635 | (2,984) |
| Beginning of financial year | 4 | 198 | 463 | 3,494 |
| Effects of currency translation on cash and cash equivalents | * | * | (41) | (47) |
| End of financial year | 8 | 4 | 1,057 | 463 |

* Amount is less than S$1,000

# NOTES TO THE *FINANCIAL STATEMENTS*

For the financial year ended 31 December 2023

## 19 Property, plant and equipment

| | Leasehold properties S$'000 | Furniture and fittings S$'000 | Plant and machinery S$'000 | Motor vehicles S$'000 | Computers S$'000 | Operating supplies S$'000 | Total S$'000 |
|---|---|---|---|---|---|---|---|
| **Group** | | | | | | | |
| **2023** | | | | | | | |
| *Cost* | | | | | | | |
| Beginning of financial year | 5,743 | 2,409 | 504 | 1,722 | 217 | 32 | 10,627 |
| Currency translation differences | - | - | - | (10) | - | - | (10) |
| Addition | 2,133 | 267 | 63 | - | 9 | - | 2,472 |
| Disposal | - | - | - | (1,224) | (4) | - | (1,228) |
| Written off | (3,108) | (909) | (141) | - | (99) | (3) | (4,260) |
| End of financial year | 4,768 | 1,767 | 426 | 488 | 123 | 29 | 7,601 |
| *Accumulated depreciation* | | | | | | | |
| Beginning of financial year | 4,353 | 2,097 | 246 | 1,267 | 207 | 28 | 8,198 |
| Currency translation differences | - | - | - | (10) | 2 | - | (8) |
| Depreciation charge | 1,074 | 31 | 38 | 180 | 14 | - | 1,337 |
| Disposal | - | - | - | (949) | (4) | - | (953) |
| Written off | (3,106) | (909) | (130) | - | (101) | (3) | (4,249) |
| End of financial year | 2,321 | 1,219 | 154 | 488 | 118 | 25 | 4,325 |
| *Accumulated impairment loss* | | | | | | | |
| Beginning and end of financial year | - | 188 | 28 | - | - | 4 | 220 |
| *Net book value* | | | | | | | |
| End of financial year | 2,447 | 360 | 244 | - | 5 | - | 3,056 |

# NOTES TO THE *FINANCIAL STATEMENTS*

For the financial year ended 31 December 2023

## 19 Property, plant and equipment (continued)

| | Leasehold properties S$'000 | Furniture and fittings S$'000 | Plant and machinery S$'000 | Motor vehicles S$'000 | Computers S$'000 | Operating supplies S$'000 | Renovation S$'000 | Construction-in-progress S$'000 | Total S$'000 |
|---|---|---|---|---|---|---|---|---|---|
| **Group** | | | | | | | | | |
| **2022** | | | | | | | | | |
| *Cost* | | | | | | | | | |
| Beginning of financial year | 5,984 | 2,556 | 339 | 1,762 | 214 | 32 | 72 | 5 | 10,964 |
| Currency translation differences | (15) | (14) | (4) | (40) | (1) | - | (7) | - | (81) |
| Addition | 907 | 7 | 189 | - | 41 | - | - | 479 | 1,623 |
| Transfer | - | - | 359 | - | - | - | - | (359) | - |
| Lease modification | (1,133) | - | - | - | - | - | - | - | (1,133) |
| Disposal | - | (31) | - | - | - | - | - | - | (31) |
| Written off | - | (109) | (379) | - | (37) | - | (65) | (125) | (715) |
| End of financial year | 5,743 | 2,409 | 504 | 1,722 | 217 | 32 | - | - | 10,627 |
| *Accumulated depreciation* | | | | | | | | | |
| Beginning of financial year | 4,237 | 2,214 | 223 | 1,048 | 201 | 25 | 16 | - | 7,964 |
| Currency translation differences | (5) | (13) | (2) | (36) | (2) | - | (2) | - | (60) |
| Depreciation charge | 1,111 | 29 | 56 | 255 | 38 | 3 | 15 | - | 1,507 |
| Lease modification | (990) | - | - | - | - | - | - | - | (990) |
| Disposal | - | (29) | - | - | - | - | - | - | (29) |
| Written off | - | (104) | (31) | - | (30) | - | (29) | - | (194) |
| End of financial year | 4,353 | 2,097 | 246 | 1,267 | 207 | 28 | - | - | 8,198 |
| *Accumulated impairment loss* | | | | | | | | | |
| Beginning and end of financial year | - | 188 | 28 | - | - | 4 | - | - | 220 |
| *Net book value* | | | | | | | | | |
| End of financial year | 1,390 | 124 | 230 | 455 | 10 | - | - | - | 2,209 |

# NOTES TO THE *FINANCIAL STATEMENTS*

For the financial year ended 31 December 2023

## 19 Property, plant and equipment (continued)

Right-of-use of assets acquired under leasing arrangements are presented together with the owned assets of the same class. Details of such leased assets are disclosed in Note 20(a) to the financial statements.

| | Company | |
|---|---|---|
| | **2023** | **2022** |
| | **S$'000** | **S$'000** |
| **Computers** | | |
| *Cost* | | |
| Beginning of financial year | 10 | 10 |
| Written off | (7) | - |
| End of financial year | 3 | 10 |
| *Accumulated depreciation* | | |
| Beginning of financial year | 10 | 10 |
| Written off | (7) | - |
| End of financial year | 3 | 10 |
| *Net book value* | | |
| End of financial year | - | - |

## 20 Leases – The Group as a lessee

**<u>Nature of the Group's leasing activities</u>**

**Office and restaurant premises**

The Group leases office premises and restaurants for the purpose of back office operations and operations of restaurants respectively.

The Group has made an upfront payment to secure the right-of-use of 30-year leasehold properties, which is used for the head office of the Group. The Group also makes monthly payments for leasehold properties. The right-of-use of the properties are classified as Property, plant and equipment (Note 19).

There are no externally imposed covenants on these lease arrangements.

**Motor vehicles**

The Group entered into a finance lease agreement for leasing motor vehicles for daily operations.

# NOTES TO THE *FINANCIAL STATEMENTS*

For the financial year ended 31 December 2023

**20 Leases – The Group as a lessee** (continued)

**Nature of the Group's leasing activities** (continued)

(a) Carrying amounts of ROU assets classified within property, plant and equipment

| | Office and restaurant premises S$'000 | Motor vehicles S$'000 | Total S$'000 |
|---|---|---|---|
| **2023** | | | |
| Beginning of financial year | 1,121 | 415 | 1,536 |
| Additions | 2,133 | - | 2,133 |
| Disposal | - | (235) | (235) |
| Depreciation | (1,024) | (180) | (1,204) |
| End of financial year | 2,230 | - | 2,230 |
| **2022** | | | |
| Beginning of financial year | 1,428 | 664 | 2,092 |
| Currency translation differences | (10) | - | (10) |
| Additions | 907 | - | 907 |
| Lease modification | (143) | - | (143) |
| Depreciation | (1,061) | (249) | (1,310) |
| End of financial year | 1,121 | 415 | 1,536 |

(b) Interest expense

| | 2023 S$'000 | 2022 S$'000 |
|---|---|---|
| Interest expense on lease liabilities (Note 7) | 109 | 46 |

(c) Lease expense not capitalised in lease liabilities

| | 2023 S$'000 | 2022 S$'000 |
|---|---|---|
| Lease expense – short-term and low-value leases | 7 | 37 |
| Variable lease payments which do not depend on an index or rate | 82 | 77 |
| Total (Note 8) | 89 | 114 |

(d) Total cash outflow for all the leases in 2023 was S$1,328,000 (2022: S$1,329,000).

# NOTES TO THE *FINANCIAL STATEMENTS*

For the financial year ended 31 December 2023

**20 Leases – The Group as a lessee** (continued)

**Nature of the Group's leasing activities** (continued)

(e) Future cash outflow which are not capitalised in lease liabilities

(i) Variable lease payments

The leases for certain restaurant outlet contain variable lease payments that are based on one percent of the sales generated by the restaurant outlet, on top of fixed payments. The Group negotiates variable lease payments for a variety of reasons, including minimising the fixed costs base for the restaurant outlet. Such variable lease payments are recognised to profit or loss when incurred and amounted to S$82,000 (2022: S$77,000) (Note 20(c)).

(ii) Extension options

The leases for certain restaurant outlet contain extension options, for which the related lease payments had not been included in lease liabilities as the Group is not reasonably certain to exercise these extension options. The Group negotiates extension options to optimise operational flexibility in terms of managing the assets used in the Group's operations. The extension options are exercisable by the Group and not by the lessor.

**21 Trade and other payables**

| | Group | | Company | |
|---|---|---|---|---|
| | **2023 S$'000** | **2022 S$'000** | **2023 S$'000** | **2022 S$'000** |
| **Current** | | | | |
| **Trade payables** | | | | |
| - Non-related parties | 181 | 688 | - | - |
| **Other payables** | | | | |
| - Non-related parties | 2,095 | 2,104 | 122 | 33 |
| - Subsidiary corporations | - | - | 5,508 | 4,988 |
| - Directors | 205 | 41 | 205 | 41 |
| Franchise deposits | 40 | - | 40 | - |
| Accruals for operating expenses | 842 | 762 | 222 | 278 |
| | 3,182 | 2,907 | 6,097 | 5,340 |
| | 3,363 | 3,595 | 6,097 | 5,340 |
| **Non-current** | | | | |
| Franchise deposits | 60 | 100 | 60 | 100 |
| Total trade and other payables | 3,423 | 3,695 | 6,157 | 5,440 |

The amount due to directors and subsidiary corporations are unsecured, interest-free and repayable on demand.

# NOTES TO THE *FINANCIAL STATEMENTS*

For the financial year ended 31 December 2023

**21 Trade and other payables** (continued)

The fair values of non-current trade and other payables are computed based on cash flows discounted at market borrowing rates. The fair values are within level 2 of the fair value hierarchy. The fair values and the market borrowing rates are used as follows:

| | Fair value | |
|---|---|---|
| | **2023 S$'000** | **2022 S$'000** |
| **Group and Company** | | |
| Franchise deposits | 48 | 95 |

| | Borrowing rates | |
|---|---|---|
| | **2023 %** | **2022 %** |
| **Group and Company** | | |
| Franchise deposits | 5.50 | 5.00 |

**22 Contract liabilities**

| | Group | |
|---|---|---|
| | **2023 S$'000** | **2022 S$'000** |
| Deferred revenue from cash vouchers sold | 1 | 44 |

A reconciliation of the deferred revenue from cash vouchers sold is as follows:

| | Group | |
|---|---|---|
| | **2023 S$'000** | **2022 S$'000** |
| Beginning of financial year | 44 | - |
| Cash vouchers sold during the financial year | 5 | 47 |
| Revenue recognised during the financial year | (48) | (3) |
| End of financial year | 1 | 44 |

Management expects that the unsatisfied performance obligations as at 31 December 2023 will be recognised as revenue in the next financial year as the vouchers' expiry date is 6 months from date of issue.

# NOTES TO THE *FINANCIAL STATEMENTS*

For the financial year ended 31 December 2023

## 23 Borrowings

| | Group | | Company | |
|---|---|---|---|---|
| | **2023** **S$'000** | **2022** **S$'000** | **2023** **S$'000** | **2022** **S$'000** |
| **Current** | | | | |
| Bank overdrafts (Note 11) | - | 379 | - | 379 |
| Bank borrowings | 516 | 513 | 314 | 318 |
| Lease liabilities | 979 | 615 | - | - |
| | 1,495 | 1,507 | 314 | 697 |
| **Non-current** | | | | |
| Bank borrowings | 515 | 1,018 | 161 | 461 |
| Lease liabilities | 1,197 | 699 | - | - |
| | 1,712 | 1,717 | 161 | 461 |
| **Total borrowings** | 3,207 | 3,224 | 475 | 1,158 |

The exposure of the borrowings of the Group to interest rate changes and the contractual repricing dates at the reporting date are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2023** **S$'000** | **2022** **S$'000** | **2023** **S$'000** | **2022** **S$'000** |
| 6 months or less | 256 | 628 | 156 | 531 |
| 6 – 12 months | 260 | 264 | 158 | 166 |
| 1 – 5 years | 515 | 1,018 | 161 | 461 |
| | 1,031 | 1,910 | 475 | 1,158 |

### *(a) Fair value of non-current borrowings*

| | Group | | Company | |
|---|---|---|---|---|
| | **2023** **S$'000** | **2022** **S$'000** | **2023** **S$'000** | **2022** **S$'000** |
| Bank borrowings | 566 | 1,147 | 173 | 518 |

# NOTES TO THE *FINANCIAL STATEMENTS*

For the financial year ended 31 December 2023

**23 Borrowings** (continued)

***(a) Fair value of non-current borrowings*** (continued)

The fair value above is determined from the cash flow analysis, discounted at market borrowing rate of an equivalent instrument at the reporting date which the directors expect to be available to the Group as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2023** | **2022** | **2023** | **2022** |
| | **%** | **%** | **%** | **%** |
| Bank borrowings | 5.50 | 5.00 | 5.50 | 5.00 |

***(b) Security granted***

A subsidiary corporation was granted a term loan facility of S$1,000,000 for working capital purposes from a licensed bank in Singapore. The term loan is secured by corporate guarantee of the Company (Note 30).

**24 Provisions**

| | Group | |
|---|---|---|
| | **2023** | **2022** |
| | **S$'000** | **S$'000** |
| *Provision for reinstatement cost* | | |
| Beginning of financial year | 198 | 198 |
| Addition | 141 | - |
| End of financial year | 339 | 198 |

Provision for reinstatement cost is recognised for expected costs for dismantling, removal and restoration of property, plant and equipment based on the best estimate of the expenditure with reference to past experience.

# NOTES TO THE *FINANCIAL STATEMENTS*

For the financial year ended 31 December 2023

**25 Deferred income taxes**

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority. The movement in deferred income tax assets and liabilities (prior to offsetting of balances within the same tax jurisdiction) is as follows:

*Deferred income tax liabilities*

| | Accelerated tax depreciation S$'000 | ROU assets S$'000 | Other S$'000 | Total S$'000 |
|---|---|---|---|---|
| **2023** | | | | |
| Beginning of financial year | 45 | 156 | 5 | 206 |
| Charged/(credited) to profit or loss | 7 | (54) | (5) | (52) |
| End of financial year | 52 | 102 | - | 154 |
| **2022** | | | | |
| Beginning of financial year | 47 | 55 | 4 | 106 |
| (Credited)/charged to profit or loss | (2) | 101 | 1 | 100 |
| End of financial year | 45 | 156 | 5 | 206 |

*Deferred income tax assets*

| | Lease liabilities | |
|---|---|---|
| | 2023 S$'000 | 2022 S$'000 |
| Beginning of financial year | 158 | 58 |
| (Charged)/credited to profit or loss | (52) | 100 |
| End of financial year | 106 | 158 |

# NOTES TO THE *FINANCIAL STATEMENTS*

For the financial year ended 31 December 2023

## 26 Share capital

| | Group and Company | |
|---|---|---|
| | Number of shares | Issued and paid-up share capital S$'000 |
| **2023** | | |
| Beginning and end of financial year | 1,434,967,260 | 82,097 |
| **2022** | | |
| Beginning of financial year | 387,748,700 | 39,433 |
| Share issued | 1,047,218,560 | 42,936 |
| Share issue expenses | - | (272) |
| End of financial year | 1,434,967,260 | 82,097 |

All issued ordinary shares are fully paid. There is no par value for these ordinary shares.

Fully paid ordinary shares carry one vote per share and carry a right to dividends as and when declared by the Company.

During the financial year ended 31 December 2022, the Company issued 1,047,218,560 new ordinary shares for a total consideration of S$42,936,000 for cash to provide funds to an associated company for repayment of bank loan and amount due to a creditor of an associated company in respect of the construction of the logistics hub of an associated company in Tianjin, People's Republic of China.

The newly issued shares rank pari passu in all aspects with the previously issued shares.

## 27 Other reserves

### *(a) Composition:*

| | Group | |
|---|---|---|
| | 2023 S$'000 | 2022 S$'000 |
| Capital reserve | 3,478 | 3,478 |
| Currency translation reserve | (99) | 88 |
| Fair value reserve | 1,117 | 328 |
| | 4,496 | 3,894 |

# NOTES TO THE *FINANCIAL STATEMENTS*

For the financial year ended 31 December 2023

**27 Other reserves** (continued)

***(b) Movements:***

| | Group | |
|---|---|---|
| | **2023** **S$'000** | **2022** **S$'000** |
| *(i) Capital reserve* | | |
| Beginning and end of financial year | 3,478 | 3,478 |
| *(ii) Currency translation reserve* | | |
| Beginning of financial year | 88 | 474 |
| Currency translation differences of financial statements of foreign subsidiary corporations | (308) | (717) |
| Add: non-controlling interests | 121 | 331 |
| End of financial year | (99) | 88 |
| *(iii) Fair value reserve* | | |
| Beginning of financial year | 328 | 228 |
| Financial assets, at FVOCI | | |
| - Fair value gains (Note 16) | 1,038 | 132 |
| Less: non-controlling interests | (249) | (32) |
| End of financial year | 1,117 | 328 |

Other reserves are non-distributable.

**28 Accumulated losses**

Movement in accumulated losses of the Company is as follows:

| | Company | |
|---|---|---|
| | **2023** **S$'000** | **2022** **S$'000** |
| Beginning of financial year | (35,866) | (30,644) |
| Net profit/(loss) | 3,805 | (5,222) |
| End of financial year | (32,061) | (35,866) |

# NOTES TO THE *FINANCIAL STATEMENTS*

For the financial year ended 31 December 2023

## 29 Commitments

The Group has the following commitments as at the reporting date:

| | Group | |
|---|---|---|
| | **2023** **S$'000** | **2022** **S$'000** |
| Capital commitment in relations to capital injection into investments in PRC | | |
| – Subsidiary corporations [(a)] | 30,310 | 107,185 |
| – Associated companies [(b)] | 2,174 | 3,031 |
| | 32,484 | 110,216 |

2023

(a) The Company performed capital reduction exercises for its subsidiary corporations, Tianjin Lanting Enterprise Management Co., Ltd. (formerly known as Tianjin Pavillon Assets Management Co., Ltd.) and Pavillon Business Development (Shanghai) Co., Ltd. on 5 July 2023 and 26 July 2023 respectively. The registered capital of Tianjin Lanting Enterprise Management Co., Ltd. was reduced from RMB50,000,000 (equivalents to S$9,665,000) to RMB220,000 (equivalents to S$41,000) and the registered capital of Pavillon Business Development (Shanghai) Co., Ltd. was reduced from USD50,000,000 (equivalents to S$67,299,000) to USD450,000 (equivalents to S$595,000).

2022

(a) On 14 November 2022, the Company performed a capital reduction exercise for its subsidiary corporation, Tianjin Yixing Intelligent Washing Technology Co., Ltd. The registered capital of the subsidiary corporation was reduced from USD30,000,000 (equivalents to S$40,379,000) to USD6,000,000 (equivalents to S$8,076,000).

(b) During the financial year ended 31 December 2022, a subsidiary corporation of the Company – Pavillon Business Development (Shanghai) Co., Ltd. together with Shanghai Liuyu Information Technology Co., Ltd., a company where Ding Furu is the ultimate beneficial shareholder, has incorporated an entity – Da Ju Logistics (Tianjin) Co., Ltd. with registered share capital amounted to RMB30,000,000, of which 49% of the register share capital is registered under Pavillon Business Development (Shanghai) Co., Ltd. As at 31 December 2022, the Group has not made any capital contribution into Da Ju Logistics (Tianjin) Co., Ltd. and the outstanding capital commitment of the Group is S$2,842,000 (equivalent to RMB14,700,000).

## 30 Corporate guarantees

Subsidiary corporation

The Company has issued corporate guarantees to a bank to secure a subsidiary corporation's bank loan (Note 23). The bank borrowings amounted to S$557,000 (2022: S$752,000) at the reporting date.

# NOTES TO THE *FINANCIAL STATEMENTS*

For the financial year ended 31 December 2023

## 30 Corporate guarantees (continued)

Associated company

A subsidiary corporation of the Company – Tianjin Lanting Leasing Co., Ltd. and together with the major shareholder of Fengchi IOT has issued joint and several corporate guarantee to a creditor of Fengchi IOT for the amount due in respect of the construction of the logistics hub in Tianjin, People's Republic of China. The amount of corporate guarantee provided to Fengchi IOT as at the reporting date is as follows:

| | 2023<br>S$'000 | 2022<br>S$'000 |
|---|---|---|
| Joint and several corporate guarantees to: | | |
| – A creditor | 259 | 2,693 |

These corporate guarantees were not recognised in the financial statements as no value has been placed on the guarantees, considering that the likelihood of the guaranteed parties defaulting within the guaranteed period was assessed to be remote.

## 31 Financial risk management

***Financial risk factors***

The Group's activities expose it to market risk (including currency risk, interest risk and price risk), credit risk and liquidity risk. The Group's overall risk management strategy seeks to minimise any adverse effects from the unpredictability of financial markets on the Group's financial performance.

The Group's overall strategies, tolerance of risks, and general risk management philosophy are determined by the Board in accordance with prevailing economic and operating conditions. The Audit Committee provides independent oversight to the effectiveness of the risk management process. It is and has been throughout the current and previous financial year, the Group's policy that no trading in derivatives for speculative purposes shall be undertaken.

The following sections provide details regarding the Group's and the Company's exposure to the abovementioned financial risks and the objectives, policies and processes for the management of these risks.

***(a) Market risk***

*(i) Currency risk*

The Group operates mainly in Singapore and PRC. Entities in the Group regularly transact in their respective functional currencies.

The Group is not exposed to the currency transaction risk as the transactions, financial assets and financial liabilities are denominated in currency of respective country where the business domiciles and operates.

# NOTES TO THE *FINANCIAL STATEMENTS*

For the financial year ended 31 December 2023

**31 Financial risk management** (continued)

***(a) Market risk*** (continued)

*(i) Currency risk* (continued)

The Group is exposed to currency translation risk on the net assets of the Group's foreign operations in PRC, which are denominated in Renminbi ("RMB"). The Group does not enter into any of the hedging instruments for the purpose of hedging the translation of its foreign operations. There is no significant debt instrument denominated in foreign currency at the reporting date.

Currency risk arises when transactions are denominated in foreign currencies. To manage the currency risk, the Group minimises the transactions which are denominated in foreign currencies.

The Group's currency exposure based on the information provided by management is as follows:

| | SGD S$'000 | RMB S$'000 | Other S$'000 | Total S$'000 |
|---|---|---|---|---|
| **31 December 2023** | | | | |
| **Financial assets** | | | | |
| Cash and cash equivalents | 4,615 | 1,104 | 29 | 5,748 |
| Trade and other receivables | 629 | 39,651 | 5 | 40,285 |
| Financial assets, at FVOCI | - | 5,332 | - | 5,332 |
| Intra-group receivables | 10,427 | 22,675 | 3,954 | 37,056 |
| | 15,671 | 68,762 | 3,988 | 88,421 |
| **Financial liabilities** | | | | |
| Trade and other payables | (1,634) | (1,788) | (1) | (3,423) |
| Borrowings | (3,207) | - | - | (3,207) |
| Intra-group payables | (10,427) | (22,675) | (3,954) | (37,056) |
| | (15,268) | (24,463) | (3,955) | (43,686) |
| **Net financial assets** | 403 | 44,299 | 33 | 44,735 |
| Less: Net financial assets denominated in respective entities' functional currencies | (403) | (4,665) | (11) | (5,079) |
| **Currency exposure of financial assets net of those denominated in the respective entities' functional currencies** | - | 39,634 | 22 | 39,656 |

# NOTES TO THE *FINANCIAL STATEMENTS*

For the financial year ended 31 December 2023

**31 Financial risk management** (continued)

***(a) Market risk*** (continued)

*(i) Currency risk* (continued)

| | SGD S$'000 | RMB S$'000 | Other S$'000 | Total S$'000 |
|---|---|---|---|---|
| **31 December 2022** | | | | |
| **Financial assets** | | | | |
| Cash and cash equivalents | 3,023 | 521 | 22 | 3,566 |
| Trade and other receivables | 668 | 40,844 | 5 | 41,517 |
| Financial assets, at FVOCI | - | 4,294 | - | 4,294 |
| Intra-group receivables | 9,041 | 24,342 | - | 33,383 |
| | 12,732 | 70,001 | 27 | 82,760 |
| **Financial liabilities** | | | | |
| Trade and other payables | (1,790) | (1,903) | (2) | (3,695) |
| Borrowings | (3,224) | - | - | (3,224) |
| Intra-group payables | (9,041) | (24,342) | - | (33,383) |
| | (14,055) | (26,245) | (2) | (40,302) |
| **Net financial (liabilities)/assets** | (1,323) | 43,756 | 25 | 42,458 |
| Less: Net financial liabilities/(assets) denominated in respective entities' functional currencies | 1,323 | (4,505) | (13) | (3,195) |
| **Currency exposure of financial assets net of those denominated in the respective entities' functional currencies** | - | 39,251 | 12 | 39,263 |

# NOTES TO THE *FINANCIAL STATEMENTS*

For the financial year ended 31 December 2023

**31 Financial risk management** (continued)

***(a) Market risk*** (continued)

*(i) Currency risk* (continued)

The Company's currency exposure based on the information provided by management is as follows:

| | SGD S$'000 | RMB S$'000 | USD S$'000 | Other S$'000 | Total S$'000 |
|---|---|---|---|---|---|
| **31 December 2023** | | | | | |
| **Financial assets** | | | | | |
| Cash and cash equivalents | 96 | - | - | - | 96 |
| Trade and other receivables | 3,085 | 39,650 | 3,966 | 4 | 46,705 |
| | 3,181 | 39,650 | 3,966 | 4 | 46,801 |
| **Financial liabilities** | | | | | |
| Trade and other payables | (6,133) | (24) | - | - | (6,157) |
| Borrowings | (475) | - | - | - | (475) |
| | (6,608) | (24) | - | - | (6,632) |
| **Net financial (liabilities)/assets** | (3,427) | 39,626 | 3,966 | 4 | 40,169 |
| Less: Net financial liabilities denominated in the Company's functional currency | 3,427 | - | - | - | 3,427 |
| **Currency exposure of financial assets** | - | 39,626 | 3,966 | 4 | 43,596 |
| **31 December 2022** | | | | | |
| **Financial assets** | | | | | |
| Cash and cash equivalents | 17 | - | - | - | 17 |
| Trade and other receivables | 1,072 | 39,251 | 2 | 3 | 40,328 |
| | 1,089 | 39,251 | 2 | 3 | 40,345 |
| **Financial liabilities** | | | | | |
| Trade and other payables | (5,440) | - | - | - | (5,440) |
| Borrowings | (1,158) | - | - | - | (1,158) |
| | (6,598) | - | - | - | (6,598) |
| **Net financial (liabilities)/assets** | (5,509) | 39,251 | 2 | 3 | 33,747 |
| Less: Net financial liabilities denominated in the Company's functional currency | 5,509 | - | - | - | 5,509 |
| **Currency exposure of financial assets** | - | 39,251 | 2 | 3 | 39,256 |

# NOTES TO THE *FINANCIAL STATEMENTS*

For the financial year ended 31 December 2023

**31 Financial risk management** (continued)

***(a) Market risk*** (continued)

*(i) Currency risk* (continued)

If the RMB and USD change against the SGD by 4% (2022: 9%) and 2% (2022: 1%) respectively with all other variables including tax rate being held constant, the effects arising from the net financial liabilities/assets position will be as follow:

| | **Increase / (decrease) Group** | | **Increase / (decrease) Company** | |
|---|---|---|---|---|
| | **2023** | **2022** | **2023** | **2022** |
| | **Profit after tax S$'000** | **Profit after tax S$'000** | **Profit after tax S$'000** | **Profit after tax S$'000** |
| RMB against SGD | | | | |
| – strengthened | 1,316 | 2,932 | 1,316 | 2,932 |
| – weakened | (1,316) | (2,932) | (1,316) | (2,932) |
| USD against SGD | | | | |
| – strengthened | - | - | 66 | * |
| – weakened | - | - | (66) | * |

* Amount is less than S$1,000

*(ii) Cash flow and fair value interest rate risks*

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates. The Group's and the Company's bank borrowings is charged at a fixed interest rate and are independent of changes in market interest rates.

*(iii) Price risk*

The Group is exposed to equity price risk arising from the investment held by the Group which is classified as financial assets, at FVOCI.

The security is unquoted and the fair value is within level 2 of the fair value hierarchy. If price for the unquoted share had changed by 10% (2022: 10%) the effects on other comprehensive income would have been increase/decrease by S$533,200 (2022: S$429,400).

The Company is not exposed to equity price risk as the Company does not hold any equity financial assets.

# NOTES TO THE *FINANCIAL STATEMENTS*

For the financial year ended 31 December 2023

**31 Financial risk management** (continued)

***(b) Credit risk***

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The major classes of financial assets of the Group and of the Company are cash and cash equivalents and trade and other receivables. For trade receivables, the Group adopts the policy of dealing only with customers of appropriate credit standing and history, and obtaining sufficient collateral where appropriate to mitigate credit risk.

Credit exposure to an individual counterparty is restricted by credit limits that are approved by management based on ongoing credit evaluations. The counterparty's payment patterns and credit exposure are continually monitored at the entity level by respective managements.

Sales of restaurant operations are required to be settled in cash, NETS or using major credit cards, which has mitigated the credit risk. The trade receivables of the Group comprise of the sales settled in NETS and credit card which are not past due as at 31 December 2023 and 2022.

As at 31 December 2022, the finance lease receivables of the Group comprise 1 debtor that individually represented 99% of finance lease receivables, which has been fully impaired.

As at 31 December 2022, the other receivables of the Group comprise 1 debtor that individually represented 81% of other receivables, which has been fully impaired.

As at 31 December 2023, the management has fully written off the finance lease receivables and other receivables as there was no realistic prospect of recovery.

The Group does not have concentration risk on trade receivables as the amount as at the reporting date is not significant to the Group.

As the Group does not hold any collateral or other credit enhancement to cover its credit risks associated with its financial assets (other than finance lease receivables), the maximum exposure to credit risk to each class of financial instruments is the carrying amount of that class of financial instruments presented on the statement of financial position, except as follows:

| | **Group** | |
|---|---|---|
| | **2023 S$'000** | **2022 S$'000** |
| Joint and several corporate guarantees provided to a creditor of an associated company | 259 | 2,693 |

| | **Company** | |
|---|---|---|
| | **2023 S$'000** | **2022 S$'000** |
| Corporate guarantees provided to a bank for subsidiary corporation's bank loan | 557 | 752 |

# NOTES TO THE *FINANCIAL STATEMENTS*

For the financial year ended 31 December 2023

**31 Financial risk management** (continued)

***(b) Credit risk*** (continued)

The movement in credit loss allowance are as follows:

| | Group | | |
|---|---|---|---|
| | **Finance lease receivables S$'000** | **Other receivables S$'000** | **Total S$'000** |
| **2023** | | | |
| Beginning of financial year | 8,531 | 6,698 | 15,229 |
| Written off | (8,531) | (6,698) | (15,229) |
| End of financial year (Note 12) | - | - | - |
| **2022** | | | |
| Beginning of financial year | 9,391 | 7,374 | 16,765 |
| Currency translation differences | (860) | (676) | (1,536) |
| End of financial year (Note 12) | 8,531 | 6,698 | 15,229 |

| | Company | | |
|---|---|---|---|
| | **Trade receivables S$'000** | **Other receivables S$'000** | **Total S$'000** |
| **2023** | | | |
| Beginning of financial year | 49 | 3,353 | 3,402 |
| Reversal | (49) | (1,650) | (1,699) |
| End of financial year (Note 12) | - | 1,703 | 1,703 |
| **2022** | | | |
| Beginning and end of financial year (Note 12) | 49 | 3,353 | 3,402 |

*(i) Finance lease receivables*

The Group uses a provision matrix to measure the lifetime expected credit loss allowance for finance lease receivables. In measuring the expected credit losses ("ECL"), finance lease receivables are grouped based on shared credit risk characteristics and days past due.

In calculating the ECL rates, the Group considers purely historical loss rates for each category of customers which management is of the view that the historical conditions are representative of the conditions prevailing at the reporting date.

# NOTES TO THE *FINANCIAL STATEMENTS*

For the financial year ended 31 December 2023

**31 Financial risk management** (continued)

***(b) Credit risk*** (continued)

*(i) Finance lease receivables* (continued)

Finance lease receivables are written off when there is no reasonable expectation of recovery, such as a lessee failing to engage in a repayment plan with the Group. The Group considers a financial asset as in default if the counterparty fails to make contractual payments for more than a year when they fall due, and writes off the financial asset when there is no reasonable ground to recover the receivables after all enforcement activity has been taken by the Group.

The Group's credit risk exposure in relation to finance lease receivables under SFRS(I) 9 as at 31 December 2022 are set out in the provision matrix as follows:

| | Group | | |
|---|---|---|---|
| | **Gross amount S$'000** | **Loss allowance S$'000** | **Carrying amount S$'000** |
| **Finance lease receivables** | | | |
| **2022** | | | |
| Not past due | - | - | - |
| > 365 days past due | 8,531 | (8,531) | - |
| | 8,531 | (8,531) | - |

During the financial year ended 31 December 2023, the management has fully written off the finance lease receivables as there was no reasonable expectation of recovery.

*(ii) Other receivables*

The Group uses the general approach to measure the loss allowance for other receivables. Other receivables are individually determined to be impaired when the Group determined that the financial assets have significant increase in credit risk since initial recognition, such as the debtors have financial difficulties and have defaulted on payments during the financial year. As at 31 December 2023 and 2022, the Group performed an assessment of impairment and concluded the loss allowance is adequate.

# NOTES TO THE *FINANCIAL STATEMENTS*

For the financial year ended 31 December 2023

**31 Financial risk management** (continued)

***(b) Credit risk*** (continued)

*(iii) Non-trade amounts due from subsidiary corporations*

The amount due from subsidiary corporations is for short term funding requirements. The Company uses a general approach for assessment of ECL for these receivables. Impairment on these balances has been measured on the 12-month expected loss basis which credit risk has increased significantly since initial recognition. Loss allowance for a non-performing subsidiary corporation with significant increase in credit risk amounted to S$1,703,000 which has been recognised during the financial year ended 31 December 2021 as there is no reasonable ground to recover the receivables from the subsidiary corporation. As at 31 December 2023 and 2022, the Group performed an assessment of impairment and concluded the loss allowance is adequate.

*(iv) Cash and cash equivalents*

The Group and the Company held cash and cash equivalents only with reputable licensed financial institutions with high credit-ratings and considered to have low credit risk. The cash balances are measured on 12-month expected credit losses and subject to immaterial credit loss.

*(v) Financial guarantee contracts*

The Group and the Company have issued financial guarantees to banks for borrowings of a subsidiary corporation, and to a creditor of Fengchi IOT for the amount due in respect of the construction of the logistics hub in Tianjin, People's Republic of China (Note 30). These guarantees are subject to the impairment requirement of SFRS(I) 9. The Group and the Company has assessed that its subsidiary corporation and Fengchi IOT have the ability to meet the contractual cash flow obligations in the near future. Hence, the Group and the Company do not expect significant credit losses arising from these guarantees.

***(c) Liquidity risk***

Prudent liquidity risk management includes maintaining sufficient cash and the availability of funding through having an adequate amount of committed credit facilities to enable it to meet its normal operating commitments. As at the reporting date, assets held by the Group and the Company for managing liquidity risk included cash and cash equivalents as disclosed in Note 11 to the financial statements.

# NOTES TO THE *FINANCIAL STATEMENTS*

For the financial year ended 31 December 2023

**31 Financial risk management** (continued)

***(c) Liquidity risk*** (continued)

The table below analyses financial liabilities of the Group and the Company into relevant maturity groupings based on the remaining period from the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

| | Within 1 year S$'000 | Between 1 and 5 years S$'000 |
|---|---|---|
| **Group** | | |
| **At 31 December 2023** | | |
| Trade and other payables | 3,363 | 60 |
| Lease liabilities | 1,062 | 1,235 |
| Borrowings (excluding lease liabilities) | 543 | 528 |
| Financial guarantee contracts | 259 | - |
| | 5,227 | 1,823 |
| **At 31 December 2022** | | |
| Trade and other payables | 3,595 | 100 |
| Lease liabilities | 652 | 724 |
| Borrowings (excluding lease liabilities) | 935 | 1,058 |
| Financial guarantee contracts | 2,693 | - |
| | 7,875 | 1,882 |
| **Company** | | |
| **At 31 December 2023** | | |
| Trade and other payables | 6,097 | 60 |
| Borrowings | 323 | 162 |
| Financial guarantee contracts | 202 | 355 |
| | 6,622 | 577 |
| **At 31 December 2022** | | |
| Trade and other payables | 5,340 | 100 |
| Borrowings | 716 | 472 |
| Financial guarantee contracts | 195 | 557 |
| | 6,251 | 1,129 |

# NOTES TO THE *FINANCIAL STATEMENTS*

For the financial year ended 31 December 2023

## 31 Financial risk management (continued)

### *(d) Capital risk*

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment, return capital to shareholders, issue new shares, buy back issued shares, obtain new borrowings or sell assets to reduce borrowings.

Management monitors capital based on a gearing ratio. The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as borrowings plus trade and other payables less cash and cash equivalents. Total capital is calculated as total equity plus net debt.

| | **Group** | |
|---|---|---|
| | **2023**<br>**S$'000** | **2022**<br>**S$'000** |
| Net debt | 882 | 3,353 |
| Total equity | 54,728 | 58,697 |
| Total capital | 55,610 | 62,050 |
| Gearing ratio | 2% | 5% |

| | **Company** | |
|---|---|---|
| | **2023**<br>**S$'000** | **2022**<br>**S$'000** |
| Net debt | 6,536 | 6,581 |
| Total equity | 50,036 | 46,231 |
| Total capital | 56,572 | 52,812 |
| Gearing ratio | 12% | 12% |

The Group and the Company are not subject to externally imposed capital requirements for the financial years ended 31 December 2023 and 2022 respectively.

### *(e) Fair value measurements*

The following table presents assets and liabilities measured at fair value and classified by level of the following fair value measurement hierarchy:

(i) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);

(ii) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)

(iii) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

# NOTES TO THE *FINANCIAL STATEMENTS*

For the financial year ended 31 December 2023

**31 Financial risk management** (continued)

***(e) Fair value measurements*** (continued)

| Group | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| | **S$'000** | **S$'000** | **S$'000** | **S$'000** |
| **2023** | | | | |
| Financial assets, at FVOCI | - | 5,332 | - | 5,332 |
| **2022** | | | | |
| Financial assets, at FVOCI | - | 4,294 | - | 4,294 |

The fair value of financial instrument that is not traded in an active market (e.g. over-the counter derivatives) is determined by using the trading metrics (multiples) of comparable companies which are publicly-listed companies, and applied discount rate to the estimated equity value to account for a lack of marketability and/ or lack of control within the subject company. The instrument is classified as Level 2.

The fair values of current financial assets and liabilities carried at amortised cost approximates their carrying amount. The fair value of non-current financial liabilities is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group and the Company for similar financial instruments.

***(f) Financial instruments by category***

The carrying amount of the different categories of financial instruments is as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2023 S$'000** | **2022 S$'000** | **2023 S$'000** | **2022 S$'000** |
| Financial assets at amortised cost | 46,033 | 45,083 | 46,801 | 40,345 |
| Financial assets at FVOCI | 5,332 | 4,294 | - | - |
| Financial liabilities at amortised cost | 6,630 | 6,919 | 6,632 | 6,598 |

# NOTES TO THE *FINANCIAL STATEMENTS*

For the financial year ended 31 December 2023

## 32 Related party transactions

In addition to the information disclosed elsewhere in the financial statements, the following transactions took place between the Group and related parties at terms agreed between the parties:

### *(a) Transactions with related parties*

| | Group | |
|---|---|---|
| | **2023 S$'000** | **2022 S$'000** |
| *Associated companies* | | |
| Interest income from loan to an associated company | 1,902 | 630 |
| Capital injection to an associated company | (766) | - |
| Repayment of loan principal by an associated company | 1,536 | - |
| Repayment of loan interest by an associated company | 47 | - |
| Receipt of rental income from an associated company | 1,303 | - |
| Payment of rental expenses by an associated company | (1,303) | - |

### *(b) Key management personnel compensation*

| | Group | |
|---|---|---|
| | **2023 S$'000** | **2022 S$'000** |
| Directors of the Company | | |
| Salaries, allowance and bonus | 345 | 476 |
| Employer's contribution to defined contributions plan | 14 | 18 |
| Other short-term benefits | 60 | 56 |
| | 419 | 550 |
| Other key management personnel | | |
| Salaries, allowance and bonus | 651 | 993 |
| Employer's contribution to defined contributions plan | 88 | 117 |
| Other short-term benefits | 46 | 62 |
| | 785 | 1,172 |

The salaries, allowance and bonus disclosed above include S$224,000 (2022: S$71,000) of salaries and allowances payable which were unpaid as at year end and are included in other payables.

# NOTES TO THE *FINANCIAL STATEMENTS*

For the financial year ended 31 December 2023

## 33 Segment information

For management purposes, the Group is organised into the following reportable operating segments for the financial year ended 31 December 2022:

(1) Food and beverages operations, which mainly relate to the operation of restaurant outlets, and collection of royalty fees from the franchised restaurants;

(2) Car washing operations, which mainly relate to car washing services using artificial intelligent machines. However, the operations ceased in September 2022 due to the poor market response to the business;

(3) Properties operations, which mainly relates to the investment in the associated company which is operating the logistics hub in Tianjin, PRC;

(4) All other segments, which mainly relate to management fees from related companies within the Group.

During the financial year ended 31 December 2023, management has reassessed the reportable operating segments due to the Group ceasing its car washing business in PRC. The latest reportable operating segments are organised as follows:

(1) Food and beverages operations, which mainly relate to the operation of restaurant outlets, and collection of royalty fees from the franchised restaurants;

(2) Properties operations, which mainly relate to the investment in the associated company which operating the logistics hub in Tianjin, PRC;

(3) All other segments, which mainly relate to management fees from related companies within the Group.

Except as indicated above, no operating segments have been aggregated to form the above reportable operating segments.

The Board monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements. Income taxes are managed on a group basis and are not allocated to operating segments.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

# NOTES TO THE *FINANCIAL STATEMENTS*

For the financial year ended 31 December 2023

**33 Segment information** (continued)

Segment information about the Group's reportable segments is as follows:

| | Food and beverages S$'000 | Properties S$'000 | All other segments S$'000 | Eliminations S$'000 | Notes | Total S$'000 |
|---|---|---|---|---|---|---|
| **2023** | | | | | | |
| **Revenue** | | | | | | |
| Sales to external parties | 17,957 | - | - | - | | 17,957 |
| Inter-segment sales | - | - | 1,787 | (1,787) | A | - |
| **Results** | | | | | | |
| Segment profit/(loss) | 4,524 | (7,256) | (1,967) | - | | (4,699) |
| Share of loss of associated companies | - | (7,257) | (734) | - | | (7,991) |
| Interest income | 38 | 7 | 1,902 | - | | 1,947 |
| Depreciation of property, plant and equipment | (1,336) | - | (1) | - | | (1,337) |
| **Segment assets** | 10,620 | 5,272 | 46,270 | - | | 62,162 |
| *Segment assets includes:* | | | | | | |
| Investment in associated companies | - | 5,252 | 24 | - | | 5,276 |
| Additions to: | | | | | | |
| Property, plant and equipment | 2,472 | - | - | - | | 2,472 |
| **Segment liabilities** | 4,512 | 2 | 2,920 | - | | 7,434 |

# NOTES TO THE *FINANCIAL STATEMENTS*

For the financial year ended 31 December 2023

**33 Segment information** (continued)

| | Food and beverages S$'000 | Car washing S$'000 | Properties S$'000 | All other segments S$'000 | Eliminations S$'000 | Notes | Total S$'000 |
|---|---|---|---|---|---|---|---|
| **2022** | | | | | | | |
| **Revenue** | | | | | | | |
| Sales to external parties | 16,250 | 59 | - | - | - | | 16,309 |
| Inter-segment sales | - | - | - | 1,579 | (1,579) | A | - |
| **Results** | | | | | | | |
| Segment profit/(loss) | 3,739 | (1,833) | 5,821 | (5,967) | - | | 1,760 |
| Share of profit of associated companies | - | - | 5,737 | - | - | | 5,737 |
| Interest income | - | 36 | 39 | 591 | - | | 666 |
| Depreciation of property, plant and equipment | (1,372) | (134) | - | (1) | - | | (1,507) |
| **Segment assets** | 7,269 | 485 | 14,551 | 43,697 | - | | 66,002 |
| *Segment assets includes:* | | | | | | | |
| Investment in associated companies | - | - | 12,963 | - | - | | 12,963 |
| Additions to: | | | | | | | |
| Property, plant and equipment | 1,117 | 506 | - | - | - | | 1,623 |
| **Segment liabilities** | 3,790 | 3 | 3 | 3,509 | - | | 7,305 |

**Notes:**

A Inter-segment revenues are eliminated on consolidation.

# NOTES TO THE *FINANCIAL STATEMENTS*

For the financial year ended 31 December 2023

**33 Segment information** (continued)

***Geographical information:***

Revenue of the Group is mainly derived from provision of food and beverage which operates in Singapore (2022: (i) provision of food and beverage which operates in Singapore; and (ii) car wash services which operates in PRC).

| | Revenue | | Non-current assets | |
|---|---|---|---|---|
| | **2023** **S$'000** | **2022** **S$'000** | **2023** **S$'000** | **2022** **S$'000** |
| Singapore | 17,875 | 16,175 | 3,055 | 2,158 |
| PRC | 26 | 70 | 5,277 | 13,014 |
| Others | 56 | 64 | - | - |
| | 17,957 | 16,309 | 8,332 | 15,172 |

Non-current assets information presented above consist of property, plant and equipment, and investments in associated companies as presented on the statement of financial position.

***Major customer information:***

The Group does not have revenue concentration risk from any one or more customers. Revenue is spread over large number of customers.

**34 New or revised accounting standards and interpretations**

Below are the mandatory standards, amendments and interpretations to existing standards that have been published, and are relevant for the Group's accounting periods beginning on or after 1 January 2024 and which the Group has not early adopted.

<u>Effective for annual periods beginning on or after 1 January 2024</u>

- Amendments to SFRS(I) 1-1: Classification of Liabilities as Current or Non-current
- Amendments to SFRS(I) 16: Lease Liability in a Sale and Leaseback
- Amendments to SFRS(I) 1-1: Non-current Liabilities with Covenants
- Amendments to SFRS(I) 1-7 and SFRS(I) 7: Supplier Finance Arrangements

<u>Effective for annual periods beginning on or after 1 January 2025</u>

- Amendments to SFRS(I) 1-21: Lack of Exchangeability

# NOTES TO THE *FINANCIAL STATEMENTS*

For the financial year ended 31 December 2023

**34 New or revised accounting standards and interpretations** (continued)

Effective date: to be determined*

- Amendments to SFRS(I) 10 and SFRS(I) 1-28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

* *The mandatory effective date of this Amendment had been revised from 1 January 2016 to a date to be determined by the Accounting Standards Council Singapore ("ASC") in December 2015 via Amendments to Effective Date of Amendments to FRS 110 and FRS 28.*

**35 Authorisation of financial statements**

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors of Pavillon Holdings Ltd. on 26 March 2024.

# CORPORATE *GOVERNANCE REPORT*

The Board of Directors of Pavillon Holdings Ltd. (the "Company") recognises the importance of and is committed to maintain high standard of corporate governance within the Company and its subsidiaries (the "Group"). The Company strives to enhance the interests of the shareholders of the Company (the "Shareholders") and maintain an ethical environment in the Group.

This report describes the Company's corporate governance framework and practices that the Company had adopted, for the financial year ended 31 December 2023, with specific reference made to the principles and provisions as set out in the Code of Corporate Governance 2018 (the "Code") and accompanying Practice Guidance, issued by the Corporate Governance Council on 6 August 2018 and adopted by the Singapore Exchange Securities Trading Limited (the "SGX-ST").

## 1. BOARD MATTERS

### The Board's conduct of affairs

***Principle 1: The Company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the company.***

*Provision 1.1: Principal functions of the Board*

All Directors are aware of their fiduciary duties and exercise due diligence and independent judgement in ensuring that their decisions are objective and in the best interests of the Company. Directors who face conflicts of interest are to disclose their interests and voluntarily recuse themselves from discussions and decisions involving the issues of conflict.

A brief profile of each Director is set out on pages 5 to 7 of this Annual Report ("**AR**"). Apart from its statutory duties and responsibilities, the Board oversees management of the Company (the "**Management**") and affairs of the Group and approves the Group's corporate and strategic policies and direction. The Board considers the sustainability issues including environmental and social factors in the formulation of the Group's strategies. The Board is also responsible for implementing policies in relation to financial matters, which include compliance, risk management, and internal controls to safeguard the shareholders' interest and the Company's assets.

The Board reviews the financial performance of the Group, approves investment proposals, and approves the nomination of Directors to the Board, as well as the appointment of key management personnel. Matters which are specifically reserved to the Board for decision and approval and communicated in writing to the Management, include, amongst others, any material acquisitions and disposals of assets, corporate or financial restructuring, share issuances and dividends, financial results, corporate strategies and major undertakings (other than in the ordinary course of business).

All Directors have objectively discharged their duties and responsibilities at all times as fiduciaries in the best interests of the Company for the financial year ended 31 December 2023.

# CORPORATE *GOVERNANCE REPORT*

*Provision 1.2: Directors' orientation and training*

Newly appointed Director will undergo an orientation briefing to be familiar with the Group's business strategies, organisational structure and operations. Ms Bai Yun, a Director who was appointed on 1 September 2023, had completed mandatory training for new directors, without prior experience in listed company, conducted by the Singapore Institute of Directors ("SID"). All directors, including Ms Bai Yun, have completed the training on sustainability matters as required under Rule 720 of the Listing Manual of the SGX-ST ("Listing Manual").

Depending on specific requirements, new directors may be sent for trainings and/or seminars to acquaint them on director's duties and compliance with the relevant bodies of law and regulations in the performance of their duties. The costs of arranging and funding the trainings of the Directors will be borne by the Company.

Directors are encouraged to attend programmes organized by the Accounting and Corporate Regulatory Authority and the Singapore Institute of Directors.

*Provision 1.3: Matters requiring Board's approval*

The Board has a matrix of approval which sets out the approval limits of the Management and matters that specifically require Board's guidance. The Board's approval is required for matters include, but are not limited to such matters as corporate restructuring, mergers and acquisitions, major investments and divestments, material acquisitions and disposals of assets, major corporate policies on key areas of operations, acceptances of bank facilities, annual budget, proposal of dividends, approval of Statement by Directors and audited financial statements, the release of the Group's half-yearly financial updates and full-year financial results and other significant corporate actions and interested person transactions, save for Mr Ding Furu who had recused from discussions and decisions on matters relating to interested person transactions with Fengchi IOT Management Co., Ltd. and Daju Logistics (Tianjin) Co., Ltd.. Please refer to the section on Interested Person Transactions in this Corporate Governance Report. the The Board communicates matrix of approval with the Management, and it is updated as the business grows.

*Provision 1.4: Delegation by the Board*

The Board has delegated specific authority to various Board Committees, namely, the Audit and Risk Committee ("**ARC**"), Nominating Committee ("**NC**") and Remuneration Committee ("**RC**"), which would make recommendations to the Board.

The ultimate responsibility for the final decision on all matters lies with the entire Board. Each Board Committee is governed by its terms of reference which clearly sets out the authority and duties; and have been approved by the Board and plays an important role in ensuring good corporate governance in the Company and within the Group.

# CORPORATE *GOVERNANCE REPORT*

*Provision 1.5: Board meetings, attendance and multiple commitments*

The Board meets at least once every half-year to discuss and review the strategic policies of the Group, significant business transactions, performance of the business and to approve the release of the half-year and full year results. Ad-hoc meetings are convened as and when warranted by particular circumstances. In addition to physical meetings, the Company's Constitution allows Board meetings to be conducted by way of telephone conference, provided that the requisite quorum of at least two (2) directors is present.

In order to keep Directors abreast of the Group's operations, the Directors are updated on initiatives and developments on the Group's business as soon as practicable and during Board meetings. The Directors visited the Tianjin logistic hub in August 2023 and gained better understanding about the operations and business in China. Management provided the Board with management accounts on a half-yearly basis, as well as relevant background information and documents relating to items of business to be discussed at a Board meeting before the scheduled meeting. Sufficient time is allocated at Board meetings for Management to address any queries from Directors so as to enable meaningful discussions and deliberations.

Although all the Directors have equal responsibility for the performance of the Group, the role of the Independent Directors is particularly important in ensuring that the strategies proposed by the executive Management are fully discussed and take account of the long-term interests, not only of the shareholders, but also of employees, customers, suppliers and the many communities in which the Group conducts business.

During the financial year from 1 January 2023 to 31 December 2023 ("FY2023"), the Board held various meetings and the attendance of each Director at every Board and Board Committee meeting is summarised as follows: -

| | **Board** | | **Audit and Risk Committee** | | **Nominating Committee** | | **Remuneration Committee** | |
|---|---|---|---|---|---|---|---|---|
| | **No. of meetings held** | **No. of meetings attended** | **No. of meetings held** | **No. of meetings attended** | **No. of meetings held** | **No. of meetings attended** | **No. of meetings held** | **No. of meetings attended** |
| Dr John Chen Seow Phun | 2 | 2 | 2[1] | 2[1] | 2[1] | 2[1] | 2[1] | 2[1] |
| Francis Lee Fook Wah | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Kong Weili | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Ding Furu[2] | 2 | 2 | 2[1] | 2[1] | 2 | 2 | 2 | 2 |
| Fan Bin[3] | 2 | 2 | 2 | 2 | 2[1] | 2[1] | 2[1] | 2[1] |
| Bai Yun[4] | - | - | - | - | - | - | - | - |

(1) Attended the meeting as an invitee.
(2) Mr Ding Furu was appointed as a member of the ARC on 1 September 2023.
(3) Mr Fan Bin was re-designated as Executive Director with effect from 1 September 2023. Following his re-designation, Mr Fan Bin ceased as a member of the ARC.
(4) Ms Bai Yun was appointed as Executive Director on 1 September 2023.

# CORPORATE *GOVERNANCE REPORT*

The Board also communicates from time to time through informal meetings and telephone conferences to discuss the Group's strategies and businesses. All the Directors exercise due diligence and independent judgement; and are obliged to act in good faith and consider at all times the interest of the Company.

*Provision 1.6: Access to information*

From time to time, the Directors also receive further relevant information via email, particularly on applicable new laws, regulations and changing commercial risks which are relevant to the business and operations of the Group. The Directors are also updated on the business of the Group through meetings.

Detailed board papers and related materials will be prepared for each meeting of the Board. The Board papers include sufficient information and background relating to business environment, industry, financial, business and corporate issues to enable the Directors to be properly briefed on issues to be considered at Board meetings. The Directors are given board papers in advance of meetings for them to be adequately prepared for the meeting and key management personnel (who are not executive directors) are in attendance at Board and Board Committee meetings, whenever necessary. This enables the Board to make informed assessments of the Company's performance and prospects

*Provision 1.7: Access to Management, Company Secretary and External Advisers*

The Board has separate and independent access to the Management at all times. Requests for information are dealt with promptly by Management.

The appointment and cessation of the Company Secretaries are subject to the approval of the Board.

The Board has separate and independent access to the Company Secretary, who provides the Board with regular updates on the requirements of the Companies Act and all the rules and regulations of the SGX-ST. The Company Secretary and/or her representative(s) attended all Board and Board Committees meetings and prepared minutes of Board and Board Committees. The Company Secretary and/or her representative(s) assist the Chairman to ensure that the Board procedures are followed and reviewed so that the Board functions effectively, and all rules and regulations applicable to the Company, including requirements of the Companies Act and the Listing Manual, are complied with.

Should the Directors need independent professional advice, the Company will, upon direction by the Board, appoint a professional advisor to render the advice, and the costs of such professional fees will be borne by the Company.

# CORPORATE
# *GOVERNANCE REPORT*

**Board Composition and Guidance**

***Principle 2: The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the company.***

*Provision 2.1: Board Independence*
*Provision 2.2: Majority Independent Directors where Chairman is not independent*
*Provision 2.3: Majority Non-Executive Directors in a Board*

Presently, the Board comprises three (3) Executive Directors (after 1 non-executive non-independent director re-designated to executive director and appointment of 1 executive director effective 1 September 2023), two (2) Independent Directors and one (1) Non-Executive Non-Independent Directors. Independent Directors make up one-third of the Board. Although Non-Executive and Independent Directors did not make up a majority of the Board, where the Chairman is not independent, the Board has diversity of thought and background in its composition with Independent Directors exercising oversight function and leading discussions to form decisions in the best interests of the Company. The Board believes the current Board composition drives performance, create shareholder value and maintain a proper tone at the top. Executive Directors, who formed one third of the Board, are working to protect and enhance the best interests of shareholders with returns or benefits for shareholders while Independent Directors with diversity of skills set for diversity in decision-making.

Independent Directors make up at least one third of the Board. Despite Non-Executive and Independent Directors did not make up a majority of the Board, where the Chairman is not independent, the Board is of the view that the Group's current size is relatively small and its operations not complex. The appointment of additional independent directors would also result in additional costs to the Group. Therefore, the Board opines that it is not necessary for independent directors to make up the majority of the Board.

The Board was not aware of any difficulty in reaching consensus and making timely decisions with Independent Directors make up one third of the Board where the Chairman is not independent. The continued services of current size of the Board are crucial and critical as its valuable experience and expertise contribute to the Group's decision-making process. The current Board composition have contributed significantly in terms of experience, expertise, professionalism, integrity, objectivity and independent judgment in engaging and challenging Management to the best interests of the Group as it performs its duties in good faith, which by means are more prudent measures than having majority non-executive and independence of the Board size. Given the dynamic business nature of the Group which constantly render uncertain situations and new external challenges, preserving the Board would avoid undue disruption and help to maintain knowledge and continuity in the Board. It is therefore more important to harness the relevant expertise of the Executive Directors to tide through this period as opposed to reconstituting the Board to comply with the 2018 Code. Key information of the Board is found under the Board of Directors section of the Annual Report.

The Board exercises objective and independent judgement on the Group's corporate affairs. No individual or group of individuals dominates the Board's decision-making process.

# CORPORATE *GOVERNANCE REPORT*

The independence of each Director is reviewed annually by the NC. In its deliberation as to the independence of a Director, the NC adopts the definition in the Code and Listing Manual of what constitutes an Independent Director in its review and considered whether a Director had business relationship with the Group, its related corporations, its substantial shareholders or its officers, and if so, whether such relationships could interfere, or be reasonably perceived to interfere, with the exercise of the Directors' independent business judgement with a view to the best interest of the Company and Group.

According to the Code and Listing Manual, an independent director represents the minority shareholders and he is independent in conduct, character and able to exercise independent business judgement in the best interests of the Company and has no relationships with the Company, related corporations, its substantial shareholders or its officers. A Director will not be independent if he is employed by the Company or any of its related corporations for the current or any of the past 3 financial years or if he has any immediate family member who is employed by the Company or any of its related corporations for the past 3 financial years and whose remuneration is determined by the RC. The independence of each Director is reviewed annually by the NC which will also ensure that the size of the Board is appropriate to conduct effective discussions and decision making. No Director is involved in the deliberation in respect of his own independence. The Board is able to exercise independent judgement on corporate affairs and provide management with a diverse and objective perspective on issues. The Independent Directors have confirmed that they do not have any relationship with the Group, its related corporations, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Directors' independent business judgement with a view to the best interests of the Group.

None of the Independent Directors has served on the Board beyond nine years from the date of his/her first appointment in respect of the review for FY2023.

In 2023, the Non-Executive Directors including the Independent Directors had met once without the presence of the Management.

*Provision 2.4: Board composition and diversity*

The current Board of Directors (the "Board") comprises the following members: -

| | |
|---|---|
| Dr. John Chen Seow Phun | Executive Chairman |
| Francis Lee Fook Wah | Lead Independent Director |
| Kong Weili | Independent Director |
| Fan Bin | Executive Director |
| Bai Yun | Executive Director |
| Ding Furu | Non-Executive Non-Independent Director |

The NC reviews the size of the Board on an annual basis and ensure that the Board and Board Committees have the appropriate mix of expertise and experience and collectively possess the necessary core competence in business, investment, audit, accounting and tax matters for effective functioning and informed decision-making. The Board have an effective blend of skills, expertise and knowledge and other aspects of diversity such as gender and age.

# CORPORATE *GOVERNANCE REPORT*

The Board has adopted a Board Diversity Policy and works towards implementing the objectives of a diverse Board to enhance its performance and work towards its long-term objectives. A diverse Board will enhance the decision-making process of the Board through perspectives derived from the various skills, industry and business experiences, gender, age, geographical and other distinctive qualities of the Directors.

The Company has operations in Singapore and China. Geographical diversity for Board members is important allowing the Board to understand and manage risks and opportunities effectively. Proportion of directors whose principal residence in Singapore and China respectively has increased since the beginning of 2023. This reflects the focus of the Group while keeping close connectivity.

The Board comprises directors with diverse range of skills and knowledge with experiences in different industry brings depth to Board discussion which eventually forms corporate strategy for the Company. The Board comprises Directors who comes from various professions. These include accounting or finance, business and management experience. Specific expertise and experience of Directors are set out in the Board of Directors section.

Board Diversity focus on the importance of gender and age diversity especially in reaching to the millennials for the industry which the Company operates. The appointment of Ms Bai Yun as Executive Director on 1 September 2023 and she is below 40 years old brings a new perspective with her millennial quotient. The Company believes that Ms Bai Yun and Mr Fan Bin, who are in their 30s and 40s, add value to the Board discussions towards strategic decision-making and introducing new products and drives Group expansion.

The NC has not recommended any measurable quantitative objectives in relation to diversity to be adopted at this juncture. The NC reviews its targets for diversity from time to time and may recommend changes or additional targets to achieve greater diversity.

**Chairman and Managing Director**

***Principle 3: There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.***

*Provision 3.1: Separation of the role of the Chairman and the CEO*
*Provision 3.2: Role of the Chairman and the CEO*

Currently, Dr John Chen Seow Phun ("**Dr Chen**") is the Executive Chairman of the Company and he is not an Independent Director. Dr Chen oversees the business direction, long term strategic planning and the overall management and operations of the Group. There is no Chief Executive Officer ("CEO") in the Company. Our business and operations are presently under the management and close supervision of Dr Chen, who is assisted by a team of Key Management Personnel. The Key Management Personnel is responsible for the Company's corporate and business strategies and polices, and the conduct of the Group's businesses.

The Executive Chairman leads the Board and is responsible for the effective working of the Board including:

- scheduling of meetings (with the assistance of the Company Secretary) to enable the Board to perform its duties while not interfering with the flow of the Group's operations;

- preparing the meeting agenda and ensure that adequate time is available for discussion of all agenda items, in particular strategic issues;
- ensuring that Board meetings are held when necessary;
- promoting a culture of openness and debate at the Board;
- facilitating contributions from the Non-Executive Directors and encouraging constructive relationships within the Board and Management;
- exercising control over the quality, quantity and timeliness of information flow to the Board, ensuring effective communication with the Company's shareholders;
- ensuring, fostering constructive and effective communication with shareholders;
- facilitating the effective contribution of Non-Executive Directors in particular; and
- encouraging high standards of corporate governance.

All major decisions made by the Executive Chairman is reviewed by the respective Board Committees. The Board is of the view that this arrangement supports the accountability and capacity of the Board for independent decision making.

*Provision 3.3: Lead Independent Director*

The Board has appointed Mr Francis Lee Fook Wah as the Lead Independent Director of the Company, who will be available to shareholders who have concerns and for which contact through the normal channels of communication with the Chairman or Management has failed to resolve or is inappropriate or inadequate. The Lead Independent Director also provides leadership in situation where the Chairman or Director is conflicted.

**Board Membership**

***Principle 4: The Board has a formal and transparent process for the appointment and re-appointment of directors, taking into account the need for progressive renewal of the Board.***

*Provision 4.1 and 4.2: Roles and composition of the NC*

The NC comprises three (3) members, a majority of whom are Independent Directors. As at date of this report, the 3 members of the NC are Mr Francis Lee Fook Wah (Chairman), Mr Ding Furu and Mr Kong Weili. The NC is chaired by Mr Francis Lee Fook Wah, who is also the Lead Independent Director. Each member of the NC shall abstain from voting on any resolutions in respect of the assessment of his/her performance or re-nomination as Director. The NC Chairman is not associated with any substantial shareholder of the Company.

The NC is regulated by a set of written terms of reference endorsed by the Board, setting out their duties and responsibilities. According to the terms of reference of the NC, the members of the NC perform the following functions: -

# CORPORATE *GOVERNANCE REPORT*

(a) reviewing and making recommendations to the Board on the appointment of new Executive and Non-Executive Directors, including making recommendations on the composition of the Board generally and the balance between Executive and Non-Executive Directors appointed to the Board;

(b) reviewing the Board structure, size and composition having regards to the scope and nature of the operations and the core competencies of the Directors as a group, and making recommendations to the Board with regards to any adjustments that are deemed necessary;

(c) reviewing, assessing and recommending nominee(s) or candidate(s) for appointment or election to the Board, having regards to his/her qualifications, competency, other principal commitments and whether or not he/she is independent and in the case of a re-nomination, to his/her performance and contribution;

(d) reviewing Board succession plans for Directors, in particular for the Executive Chairman and CEO/ Managing Director and the progressive renewal of the Board;

(e) annually, determining whether or not a Director is independent (taking into account the circumstances set out in the Code and other salient factors);

(f) identifying and recommending the Directors who are retiring by rotation and to be put forward for re-election at each annual general meeting ("AGM");

(g) developing a process for evaluation of the performance of the Board, its Board Committees and proposing objective performance criteria to enhance long-term shareholder value; and

(h) reviewing training and professional development programs for the Board.

Summary of NC activities in 2023 as set out below:

- Reviewed structure, size and composition of the Board and Board Committees
- Reviewed independence of Directors.
- Reviewed and initiate process for evaluating Board, Board Committees and Chairman.
- Reviewed results of performance evaluation and feedback to the Chairman and Board Committees.
- Reviewed the need to progressive refreshing of the Board
- Considered recommendations for new Director, review their qualifications and meet with such candidates, before a decision is made on a selection.
- Reviewed succession planning for Chairman and key management personnel and notified the Board.
- Discussed information required to be reported under the 2018 Code or Listing Manual.

The Board and the NC do not encourage the appointment of Alternate Directors. The Company does not have an Alternate Director.

# CORPORATE *GOVERNANCE REPORT*

*Provision 4.3: Board Renewal*

The NC reviews and makes recommendations to the Board on all nominations for appointments and re-appointments of Directors and Board Committees members having regard to their independence, qualifications, performance and contributions. The NC reviews and assesses candidates for directorships before making recommendations to the Board. In recommending new Directors to the Board, the NC takes into consideration the skills and experience required to support the Group's business activities, the current composition and size of the Board, and strives to ensure that the Board, as a whole, possesses the core competencies required by the Code. When a potential candidate is proposed, the NC will interview the candidate and make its recommendation to the Board. A new Director can be appointed by way of a Board resolution, after the recommendation by the NC. A Director appointed by the Board will retire at the AGM following his appointment and is eligible for re-election at the AGM. In view of the foregoing, the Board is of the view that there are adequate processes for the appointment and re-appointment of Directors.

The Directors retiring at the forthcoming AGM are Dr John Chen Seow Phun, Mr Francis Lee Fook Wah and Ms Bai Yun. Dr John Chen Seow Phun will not be seeking re-election as a director, having been appointed to the Board since 13 December 2001, and he will retire after the conclusion of the AGM. Ms Bai Yun is retiring pursuant to Regulation 117 as she was appointed as a Director on 1 September 2023. Mr Francis Lee Fook Wah had indicated his intention to seek re-election at the forthcoming AGM. The Board had concurred with the NC and accepted the recommendation for re-election of Mr Francis Lee Fook Wah and Ms Bai Yun as Directors.

In making the recommendation, the NC had considered the Directors' overall contribution and performance.

*Provision 4.4: Independence review of Directors*

The Board, taking into account the nature of operations of the Company and the recommendation of the NC, considers Mr Francis Lee Fook Wah and Mr Kong Weili to be independent in character and judgement and of sufficient caliber and their views to be of sufficient weight. No individual or small group dominates the Board's decision-making processes. The Independent Directors have no financial or contractual interests in the Group other than by way of their fees as set out in the financial statements.

The NC and the Board are of the view that its current size meets the needs for quick and effective decision-making and their combined diversity and wealth of experience enable them to contribute positively to the strategic growth and governance of the Group.

*Provision 4.5: Directors' time commitments and multiple Directorships*

The NC ensures that all newly-appointed Directors are aware of their duties and obligations. The NC had reviewed the multiple listed company board representations held presently by the Directors and is of the opinion that they do not impede the Directors' performance in carrying out their duties to the Company. Although some of the Board members have multiple listed company board representations, the NC had ascertained that for the period under review, the Directors had devoted sufficient time and attention to the Group's affairs. Further, the Board is also of the view that such multiple listed company board representations of the Independent Directors may benefit the Group, as the Directors are able to bring with them the experience and knowledge obtained from such board representations in other listed companies. Accordingly, it is not necessary at this stage to set a maximum limit on the number of listed company board representations and other principal commitments but would assess each Director on a case by case basis.

# CORPORATE *GOVERNANCE REPORT*

Key information regarding the directors of the Company are as follows: -

| | |
|---|---|
| **Name of Director** | John Chen Seow Phun |
| **Age** | 70 |
| **Country of principal residence** | Singapore |
| **Date of first appointment as director** | 13 December 2001 |
| **Date of re-designated as Executive Chairman** | 1 May 2012 |
| **Date of last re-election as director** | 26 April 2022 |
| **The Board's comments on the re-election** | Dr Chen will not be seeking re-election and will retire at the conclusion of the AGM. |
| **Job Title** | Executive Chairman |
| **Board Committees Served** | None |
| **Professional qualifications** | Dr Chen holds a PhD in Electrical Engineering from the University of Waterloo, Canada. |
| **Shareholding in the Company and its subsidiaries** | <u>The Company</u><br>23,163,525 Shares<br><br>Dr Chen is deemed to be interested in 22,252,725 Shares held by Unigold Asia Limited and 62,500 Shares held by his spouse. He is also the beneficial owner of 848,300 Shares held by DBS Nominees (Private) Limited.<br><br><u>Subsidiaries of the Group</u><br>Nil |
| **Principal Commitments including Directorships** | <u>Past Directorships</u><br>National University Health System Pte Ltd<br>Fu Yu Corporation Limited (Resigned on 5 July 2021)<br>Hong Lai Huat Group Limited<br>Hiap Seng Engineering Ltd (Resigned on 1 July 2023)<br>Tianjin Lanting Leasing Co., Ltd<br>Pavillon Business Development (Shanghai) Co. Ltd.<br>Fengchi IOT Management Co., Ltd.<br><br><u>Present Directorships</u><br>JCL Business Development Pte Ltd<br>Unigold Asia Limited<br>OKP Holdings Limited<br>PSC Corporation Ltd (f.k.a Hanwell Holdings Ltd)<br>Matex International Limited<br>SAC Capital Private Limited<br>Tat Seng Packaging Group Ltd<br>JLM Foundation Ltd<br>SAC Advisors Pte Ltd<br>Sinostar Pec Holdings Ltd<br>Cosco Shipping International (Singapore) Co Ltd<br><br><u>Other Principal Commitments</u><br>Nil |

# CORPORATE *GOVERNANCE REPORT*

| | |
|---|---|
| **Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/ or substantial shareholder of the listed issuer or of any of its principal subsidiaries** | None |
| **Conflict of Interest (including any competing business)** | None |

| | |
|---|---|
| **Name of Director** | Francis Lee Fook Wah |
| **Age** | 58 |
| **Country of principal residence** | Singapore |
| **Date of first appointment as director** | 6 May 2022 |
| **Date of last re-election as director** | 27 April 2023<br><br>Due for retirement and seeking re-election at the forthcoming AGM. |
| **The Board's comments on the re-election** | The Board of Directors of the Company had accepted and approved the NC's recommendation, who has reviewed and considered Mr Lee's contribution and performance as Independent Director of the Company. |
| **Job Title** | Lead Independent Director, Chairman of the Remuneration Committee and Nominating Committee and a member of the Audit and Risk Committee |
| **Board Committees Served** | Chairman of the Nominating Committee and Remuneration Committee<br><br>Member of Audit and Risk Committee |
| **Professional qualifications** | Mr Lee graduated from the National University of Singapore with a Bachelor's degree in Accountancy and obtained a Master s degree in Business Administration (Investment and Finance) from the University of Hull, UK. Mr Lee is a Chartered Accountant and a Non-Practising member of the Institute of Singapore Chartered Accountants. He is also a member of the Singapore Institute of Directors. |
| **Shareholding in the Company and its subsidiaries** | The Company<br>Nil<br><br>Subsidiaries of the Group<br>Nil |

# CORPORATE *GOVERNANCE REPORT*

| | |
|---|---|
| **Principal Commitments including Directorships** | Past Directorships<br>1) Sheng Siong Group Ltd<br>2) JES International Holdings Limited<br>3) Metech International Limited<br>4) Glory Capital Pte Ltd<br>5) Wise Alliance Investments Ltd<br>6) Lee Thong Hung Trading & Transport Sdn Bhd<br>7) Blackgold Megatrade Pte Ltd<br>8) Tengda Industrial Property (Suzhou) Co Ltd<br>9) Freight Links Co Ltd<br>10) Fervent Industrial Development (Ningbo) Co Ltd<br>11) Fervent III Developments Pte Ltd<br>12) Freight Links M&S (H.K.) Ltd<br>13) Net Pacific Financial Holdings Ltd<br><br>Present Directorships<br>1) Vibrant Group Limited<br>2) Figtree Holdings Limited<br>3) Joyas International Holdings Limited<br>4) Asiaphos Limited<br>5) Singapore Enterprises Private Limited<br>6) Freight Links Express Logisticpark Pte Ltd<br>7) Freight Links Express Pte Ltd<br>8) Crystal Freight Services Pte Ltd<br>9) Freight Links Logistics Pte Ltd<br>10) Freight Links Express Logisticentre Pte Ltd<br>11) Hub & Port Services Pte Ltd<br>12) Freight Links Express E-Logistics Technopark Pte Ltd<br>13) Crystal Freight Services Distripark Pte Ltd<br>14) Freight Links Properties Pte Ltd<br>15) LTH Logistics (Singapore) Pte Ltd<br>16) Ececil Pte Ltd<br>17) Sentosa Capital Pte Ltd<br>18) Celestine Management Private Limited<br>19) Vibrant Properties Pte Ltd<br>20) Shentoncil Pte Ltd<br>21) Vibrant DB2 Pte Ltd<br>22) Vibrant Megatrade Pte Ltd<br>23) Vibrant Pucheng Pte Ltd<br>24) Vibrant Pucheng Investment Pte Ltd<br>25) Vibrant Land Pte Ltd<br>26) Fervent IV Development Pte Ltd<br>27) Fervent V Development Pte Ltd<br>28) Sinolink Financial Leasing Co., Ltd |

# CORPORATE *GOVERNANCE REPORT*

| | |
|---|---|
| | 29) Sinolink Finance International Limited<br>30) Fervent Industrial Development (Suzhou) Co., Ltd<br>31) Fervent Logistics Infrastructure (Changzhou) Co., Ltd<br>32) Saujana Tiasa Sdn Bhd<br>33) Vibrant Pucheng Logistics (Chongqing) Co., Ltd<br>34) Vibrant Pucheng Property Management (Chongqing) Co., Ltd<br>35) Vibrant Pucheng Enterprise Management (Chongqing) Co., Ltd<br>36) Vibrant International Freight Forwarding (Chongqing) Co., Ltd<br>37) Freight Links Express International Co., Ltd<br>38) Vibrant Suzhou Energy Technology Co., Ltd<br>39) FM Global Logistics Holdings Berhad<br><br><u>Other Principal Commitments</u><br>Chief Financial Officer and Executive Director of Vibrant Group Limited |
| **Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/ or substantial shareholder of the listed issuer or of any of its principal subsidiaries** | None |
| **Conflict of Interest (including any competing business)** | None |

| | |
|---|---|
| **Name of Director** | Kong Weili |
| **Age** | 57 |
| **Country of principal residence** | Singapore |
| **Date of first appointment as director** | 22 June 2022 |
| **Date of last re-election as director** | 27 April 2023 |
| **The Board's comments on the re-election** | Not applicable, Mr Kong is not due for re-election. |
| **Job Title** | Independent Director, Chairman of the Audit and Risk Committee and a member of the Nominating Committee and Remuneration Committee |
| **Board Committees Served** | Chairman of the Audit and Risk Committee<br>Member of the Nominating Committee and Remuneration Committee |

# CORPORATE *GOVERNANCE REPORT*

| | |
|---|---|
| **Professional qualifications** | Mr Kong is a fellow member of the Institute of Singapore Chartered Accountants and CPA Australia. |
| **Shareholding in the Company and its subsidiaries (as at 13 March 2023)** | The Company<br>Nil<br><br>Subsidiaries of the Group<br>Nil |
| **Principal Commitments including Directorships** | Past Directorships<br>PSC Corporation Ltd (f.k.a Hanwell Holdings Ltd)<br><br>Present Directorships<br>Tat Seng Packaging Group Ltd<br><br>Other Principal Commitments<br>Nil |
| **Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries** | None |
| **Conflict of Interest (including any competing business)** | None |

| | |
|---|---|
| **Name of Director** | Ding Furu |
| **Age** | 62 |
| **Country of principal residence** | China |
| **Date of first appointment as director** | 4 November 2022 |
| **Date of last re-election as director** | 27 April 2023 |
| **The Board's comments on the re-election** | Not applicable. Mr Ding is not due for re-election. |
| **Job Title** | Non-Executive Non-Independent Director and a member of the Audit and Risk Committee, Nominating Committee and Remuneration Committee |
| **Board Committees Served** | Member of the Audit and Risk Committee, Nominating Committee and Remuneration Committee |
| **Professional qualifications** | |

# CORPORATE *GOVERNANCE REPORT*

| | |
|---|---|
| **Shareholding in the Company and its subsidiaries** | The Company<br>1,047,408,560 Shares<br>Mr Ding is deemed to be interested in 190,200 Shares held by UOB Kay Hian Pte Ltd as the beneficial owner and 1,047,218,560 Shares held by New Development Hotel Management Pte Ltd of which Mr Ding is the sole director and shareholder.<br>Subsidiaries of the Group<br>Nil |
| **Principal Commitments including Directorships** | Past Directorships<br>1) Shanghai Jinfeng Public Transportation Co. , Ltd.<br>2) Shanghai Fengxian District Donghui Automobile Passenger Transportation Co. , Ltd.<br>3) Shanghai Longyu Property Co. , Ltd.<br>4) Shanghai Petrochemical New Development Commercial Building Co. , Ltd.<br>5) Shanghai Jinshan New Development Real Estate Development Co. , Ltd.<br>6) Shanghai Aibo Grado Labs Wood Co. , Ltd.<br>7) Shanghai Sinp'O Property Management Co. , Ltd.<br>8) Shanghai Tianyou Equity Investment Management Co. , Ltd.<br>9) Shanghai Punan Public Transportation Co. , Ltd.<br>10) Shanghai Fengxian District Metro Auto Sales Co. , Ltd.<br>11) Shanghai Fengxian Zhugang Investment Development Co. , Ltd.<br>12) Shanghai Volkswagen New Development Property Investment Co. , Ltd.<br>13) Shanghai Sofia Health Products Co. , Ltd.<br>14) Shanghai Zhangsheng Construction Engineering Co. , Ltd.<br>15) Shanghai New Development Trading Co. , Ltd.<br>16) Shanghai Kolio Investment Management Consulting Co. , Ltd.<br>17) Shanghai new development fire-proof Building Materials Co. , Ltd.<br>18) Karen finance leasing (Shanghai) Co. , Ltd.<br>19) Honi Honi (Shanghai) Nutritional Food Co. , Ltd.<br>20) Walcom Pte Ltd<br>21) Harcourts (China) Holdings Pte. Ltd.<br>22) Shanghai Jinhui Yacht City Construction and Development Co., Ltd.<br>23) Fengchi IOT MAnagement Co., Ltd<br>24) OneOne Health Group Limited<br>25) Value Vantage Pte Ltd<br>26) Credit & Cooperation Singapore Pte. Ltd.<br>27) Tian Xin Ji Tuan (S) Pte. Ltd. |

# CORPORATE *GOVERNANCE REPORT*

| | |
|---|---|
| | Present Directorships<br>1) Guangxi Bama Boquan Natural Mineral Water Co., Ltd.<br>2) Shanghai Xinfazhan Shengtaosha Hotel Co.,Ltd.<br>3) Shanghai Linhai Industrial Development Zone Co.,Ltd.<br>4) Shanghai Nanqiao Passenger Transportation Bus Station Co.,Ltd.<br>5) Shanghai Yimao Environment Technology Co., Ltd.<br>6) Vohringer Home Technology Co., Ltd.<br>7) Shanghai Xinfazhan Real Estate Development Co.,Ltd.<br>8) Shanghai New Development Enterprise Management Co.,Ltd.<br>9) Shanghai New Development Decoration Co.,Ltd.<br>10) Shanghai Xinfazhan Hotel Co.,Ltd.<br>11) Shanghai New Development Hotel Management Co.,Ltd.<br>12) Guangxi Bama Li Quan Beverage Co.,Ltd.<br>13) Shanghai Suang Biotechnology Co.,Ltd.<br>14) Asia Pacific Group International Limited<br>15) China Xin Fa Zhan Group Limited<br>16) HongKong Fumao Investment Co., Limited<br>17) HongKong Shenmao Investment Co., Limited<br>18) Zhong Xin Investments Limited<br>19) Glad Rise Investments Limited<br>20) Cleor Company Limited<br>21) HongKong New Development Capital Investment Co., Limited<br>22) Sheng Shi Chuan Qi (HongKong) Co., Limited (f.k.a. Esupply Global Ecommerce Technology Co., Limited)<br>23) NDG Asia Pacific NZ Limited<br>24) Asia Pacific International Group New Zealand Limited<br>25) Top Fortune Investment Limited<br>26) Esupply Global Ecommerce Technology NZ Limited<br>27) NDG Asia Pacific Guam Inc.<br>28) Macao Sheng Shi Zhong Guo Tobacco Factory Co., Ltd.<br>29) Shengshi China Tobacco International group Macau Co., Ltd.<br>30) Asia Pacific Group (S) Pte. Ltd.<br>31) Massdam Oversea Venture Pte. Ltd.<br>32) New Development Hotel Management Pte. Ltd.<br>33) China Xin Fa Zhan Ji Tuan (S) Pte. Ltd.<br>34) Health & Longevity TCM Pte. Ltd.<br>35) New Development Investment I Pte. Ltd.<br>36) New Development Investment II Pte. Ltd.<br>37) New Development Investment III Pte. Ltd.<br>38) New Development Asset Management Pte. Ltd.<br>39) New Development Capital SG Pte. Ltd.<br>40) New Development Holding SG Pte. Ltd.<br>41) New Development Trust Ltd.<br><br>Other Principal Commitments<br>Nil |

# CORPORATE *GOVERNANCE REPORT*

| | |
|---|---|
| **Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/ or substantial shareholder of the listed issuer or of any of its principal subsidiaries** | Mr Ding was nominated by New Development Hotel Management Pte. Ltd., Subscriber of the Company.<br><br>Mr Ding is the sole shareholder and director of New Development Hotel Management Pte. Ltd. |
| **Conflict of Interest (including any competing business)** | None |

| | |
|---|---|
| **Name of Director** | Fan Bin |
| **Age** | 46 |
| **Country of principal residence** | China |
| **Date of first appointment as director** | 4 November 2022 |
| **Date of last re-election as director** | 27 April 2023 |
| **The Board's comments on the re-election** | Not Applicable. Mr Fan is not due for re-election. |
| **Job Title** | Executive Director |
| **Board Committees Served** | Nil |
| **Professional qualifications** | Mr Fan Bin is a member of the Chinese Institute of Certified Public Accountants and a certified public accountant (CPA), a certified tax accountant (CTA) certified by the China Certified Tax Agenets Association and accountant certified by the Ministry of Finance of the People's Republic of China.<br><br>He holds a Master's degree in accounting from Shanghai University of Finance and Economics and Bachelor's degree in management from Shanghai University of Finance and Economics. |
| **Shareholding in the Company and its subsidiaries (as at 13 March 2023)** | The Company<br>Nil<br><br>Subsidiaries of the Group<br>Nil |

# CORPORATE *GOVERNANCE REPORT*

| | |
|---|---|
| **Principal Commitments including Directorships** | Past Directorships<br>Nil<br><br><u>Present Directorships</u><br>Vohringer Home Technology Co., Ltd.<br>Fengchi IOT Management Co., Ltd.<br><br><u>Other Principal Commitments</u><br>Nil |
| **Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/ or substantial shareholder of the listed issuer or of any of its principal subsidiaries** | None |
| **Conflict of Interest (including any competing business)** | None |

| | |
|---|---|
| **Name of Director** | Bai Yun |
| **Age** | 37 |
| **Country of principal residence** | China |
| **Date of first appointment as director** | 1 September 2023 |
| **Date of last re-election as director** | Due for retirement and seeking re-election at the forthcoming AGM. |
| **The Board's comments on the re-election** | The Board of Directors of the Company had accepted and approved the NC's recommendation, who has reviewed and considered Ms Bai Yun's contribution and performance as Independent Director of the Company. |
| **Job Title** | Executive Director |
| **Board Committees Served** | Nil |
| **Professional qualifications** | Bachelor of Arts from Shanghai University |
| **Shareholding in the Company and its subsidiaries (as at 13 March 2023)** | <u>The Company</u><br>Nil<br><br><u>Subsidiaries of the Group</u><br>Nil |

# CORPORATE *GOVERNANCE REPORT*

| | |
|---|---|
| **Principal Commitments including Directorships** | Past Directorships<br>Nil<br>Present Directorships<br>Fengchi IOT Management Co., Ltd.<br>Other Principal Commitments<br>Nil |
| **Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries** | None |
| **Conflict of Interest (including any competing business)** | None |

**Notes:**
The Company had procured the undertaking of the Directors in the formal set out in Appendix 7.7 under Listing Rule 720(1) of the SGX-ST.

The Directors who are subject to re-election had responded negative to items (a) to (k) listed in Appendix 7.4.1 (Announcement of Appointment) of the Listing Manual of the SGX-ST ("**Listing Manual**").

**Board Performance**

***Principle 5: The Board undertakes a formal annual assessments of its effectiveness as a whole, and that of each of its board committees and individual directors.***

*Provision 5.1 and 5.2: Board Evaluation Process*

The NC examines its size to satisfy that it is appropriate for, effective decision making, taking into account the nature and scope of the Company's operations.

For the financial year under review, the NC had evaluated the performance of the Board as a whole and its Board Committees as well as contribution of the Chairman. The assessment process adopted both quantitative and qualitative criteria, such as the outcome of the strategic and long-term objectives set by the Board and the effectiveness of the Board and Board Committees in monitoring Management's performance against the goals that had been set by the Board. The NC had decided that the Directors will not be evaluated individually but factors taken into consideration for the re-nomination are the extent of their attendance, participation and contribution in the proceedings of the meetings.

# CORPORATE *GOVERNANCE REPORT*

Evaluation of the effectiveness of the Board and Board Committees, led by the NC, is conducted by means of a confidential questionnaire designed to assess the state of affairs of corporate governance matters in the Company. The questionnaire is completed by each Director to elicit his/her individual input. The Directors' inputs are collated by the Company Secretary and presented to the NC with comparatives from the previous year's results (where applicable). Areas where the performance and effectiveness could be enhanced and recommendations for improvement are then submitted to the Board for discussion and implementation.

The NC had ascertained that the Board and Board Committees had contributed effectively and had demonstrated full commitment to their role. Each member of the NC abstains from deliberation on his performance or re-nomination as Director.

No external facilitator had been engaged by the Board during the year.

## 2. REMUNERATION MATTERS

### Procedures for Developing Remuneration Policies

***Principle 6: The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management directors and key management personnel. No director is involved in deciding his or her own remuneration.***

*Provision 6.1 and 6.2: Composition of the RC*
*Provision 6.3: Remuneration framework*

The Group's remuneration policy is to provide compensation packages at market rates which reward successful performance and attract, retain and motivate directors and key management personnel.

The RC, as at date of this report, comprises three (3) members, majority of whom are Independent Directors. The existing 3 members of the RC are Mr Francis Lee Fook Wah, Mr Kong Weili and Mr Ding Furu. The Chairman of the RC is Mr Francis Lee Fook Wah who is also the Lead ID. Each member of the RC abstained from voting on any resolutions in respect of his/her remuneration.

The RC is regulated by a set of written terms of reference endorsed by the Board, setting out their duties and responsibilities. Amongst the terms of reference of the RC, the members of the RC perform the following functions: -

(a) reviewing and recommending to the Board, a general framework of remuneration for the Board and key management personnel and the specific remuneration packages and terms of employment (where applicable) for each Director and key management personnel;

(b) reviewing and recommending to the Board, share option scheme, share award plans or any long-term incentive schemes which may be set up from time to time, reviewing whether Directors or key management personnel should be eligible for such schemes and evaluating the costs and benefits of such scheme;

# CORPORATE *GOVERNANCE REPORT*

(c) ensuring all aspects of remuneration including but not limited to Director's fees, salaries, allowances, bonuses, options, share based incentives and awards, and benefits-in-kind are covered;

(d) determining the specific remuneration package and service contracts/terms of employment for each Director and key management personnel;

(e) considering the eligibility of Directors for participation under long-term incentive schemes;

(f) considering and making recommendations to the Board concerning the disclosure of details of the Company's remuneration policy, level and mix of remuneration and procedure for setting remuneration, and details of the specific remuneration packages of the Directors and key management personnel of the Company to those required by law or by the Code; and

(g) considering the obligations arising in the event of termination of the Executive Directors' and key management personnel's contracts of services, to ensure that such contracts of services contain fair and reasonable termination clauses which are not overly onerous.

No Director or member of the RC shall be involved in deciding his own remuneration, except for providing information and documents specifically requested by the RC to assist it in its deliberations. No Director will be involved in determining his/her own remuneration.

*Provision 6.4: Remuneration consultant*

In discharging RC's functions, the RC may obtain independent external legal and other professional advice as it deems necessary. The expenses of such advice shall be borne by the Company.

**Level and Mix of Remuneration**

***Principle 7: The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the company, taking into account the strategic objectives of the company.***

*Provision 7.1 and 7.3: Remuneration of Executive Directors and KMPs*
*Provision 7.2: Remuneration of Non-Executive Directors*

In setting remuneration packages, the Company takes into account pay and employment conditions within the same industry and in comparable companies, as well as the Group's relative performance and the performance of individual Directors.

The Company has entered into service agreements with each of its Executive Directors. According to the respective service agreements of the Executive Directors: -

# CORPORATE *GOVERNANCE REPORT*

(a) the term of service is for a period of three (3) years and is subject to review thereafter;

(b) the remuneration includes, amongst others, a fixed salary, fees, a variable performance bonus, which is designed to align the Executive Directors' interests with that of the Shareholders; and

(c) there are no onerous compensation commitments on the part of the Company in the event of an early termination of the service of the Executive Director.

The Independent and Non-Executive Directors do not have any service agreements with the Company and they receive Directors' fees, in accordance with their level of contributions, taking into account factors such as effort and time spent, and responsibilities of the Directors. The Company recognises the need to pay competitive fees to attract, motivate and retain Directors without being excessive to the extent that their independence might be compromised. Save for Directors' fees, which have to be submitted for endorsement by the Board (with non-executive directors abstained) and approved by the Shareholders at every AGM. The Independent and Non-Executive Directors do not receive any remuneration from the Company.

The Company sets remuneration packages, which are competitive and sufficient to attract, retain and motivate Directors and key management personnel with adequate experience and expertise to manage the business and operations of the Group.

As recommended in the Code that provision be made in allowing the Company to reclaim incentive components of remuneration from the executive directors and key management personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss of the Company, the RC has taken steps to incorporate the claw back provision into their respective service agreements and employment contracts.

Directors' fee amounting to SGD90,000.00 for the financial year ending 31 December 2024 have been proposed for payment in arrears. This recommendation has been endorsed by the Board and will be tabled at the forthcoming AGM for shareholders' approval.

*Provision 7.3: Long Term incentives*

The Company currently does not have any share option scheme or any long-term scheme in place as the Company believes "pay holds employees accountable" for improving shareholder value and drive productivity profit. The Company currently does not have any contractual provisions to allow the Company to reclaim incentive from executive Directors and key management personnel in exceptional cases of misstatement of financial results, or of misconduct resulting in financial loss to the Company.

The RC believes the current remuneration is sufficient to attract, retain and motivate directors to provide good stewardship to the Company and key management personnel for long-term objectives and shareholders' value.

# CORPORATE *GOVERNANCE REPORT*

**Disclosure on Remuneration**

***Principle 8: The company is transparent on its remuneration policies, level and mix of the remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.***

*Provision 8.1: Disclosure of remuneration*

The remuneration paid to the Directors for services rendered for FY2023 on an individual basis are as follows: -

**Directors**

| | **Salary** | | **Fee** | | **Bonus** | | **Other benefits** | | **Total** | |
|---|---|---|---|---|---|---|---|---|---|---|
| Directors | S$'000 | % | S$'000 | % | S$'000 | % | S$'000 | % | S$'000 | % |
| Chen Seow Phun, John | 180 | 63 | - | - | 15 | 5 | 92 | 32 | 287 | 100 |
| Francis Lee Fook Wah | - | - | 30 | 100 | - | - | - | - | 30 | 100 |
| Kong Weili | - | - | 30 | 100 | - | - | - | - | 30 | 100 |
| Ding Furu | - | - | 30 | 100 | - | - | - | - | 30 | 100 |
| Fan Bin(1) | 60 | 70 | 20 | 23 | - | - | 6 | 7 | 86 | 100 |
| Bai Yun(1) | 60 | 91 | - | - | - | - | 6 | 9 | 66 | 100 |

**Key management personnel**

The remuneration paid to key management personnel for services rendered for FY2023 are as follows: -

| | **Salary** | **Fee** | **Bonus** | **Other benefits** | **Total** |
|---|---|---|---|---|---|
| **Key Management Personnel** | **%** | **%** | **%** | **%** | **%** |
| **Below S$250,000** | | | | | |
| Kok Nyong Patt(2) | 68 | - | - | 32 | 100 |
| Oh Kok Thai | 65 | - | 17 | 18 | 100 |
| Loh Beng Kiat | 70 | - | 8 | 22 | 100 |
| Hau Ee Boon | 64 | - | 16 | 20 | 100 |

(1) Remuneration paid to Mr Fan Bin and Ms Bai Yun as Executive Directors of the Company for the period from 1 September 2023 to 31 December 2023.

(2) Remuneration paid to Mr Kok Nyong Patt for the period from 1 January 2023 to 31 August 2023. Mr Kok Nyong Patt retired on 1 September 2023.

Pursuant to Rule 1207(10D) of the SGX Listing Rules, the Group had disclosed the Directors' remuneration in exact amounts and breakdown of remuneration paid to each individual director including key management personnel.

# CORPORATE
# *GOVERNANCE REPORT*

*Provision 8.2: Remuneration of related employees*

There is no employee of the Group who is immediate family members of any Director or the CEO and whose remuneration exceeded S$100,000 during FY2023.

*Provision 8.3: Forms of remuneration and details of employee share schemes*

The Company currently does not have any employee share option scheme.

Summary of RC activities in 2023:

- Reviewed and approved fixed remuneration, total cash remuneration and total remuneration for executives.
- Reviewed remuneration packages of employees in the Group which includes salary adjustments and bonus
- Reviewed remuneration package of the Executive Chairman which includes salary and profit sharing bonus.

## 3. ACCOUNTABILITY AND AUDIT

**Risk Management and Internal Controls**

***Principle 9: The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the company and its shareholders.***

*Provision 9.1: Nature and extent of risks*

The Board recognizes that it is responsible for the overall internal control framework and maintains a sound system of risk management and internal controls, but accepts that no cost effective internal control system will preclude all errors and irregularities, as the system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The ARC will: -

- satisfy itself that adequate measures are in place to identify and mitigate any material business risks associated with the Group;
- ensure that a review of the adequacy and effectiveness of the Group's material internal controls, including financial, operational, compliance and information technology controls and risk management systems, is conducted at least annually. Such review can be carried out by internal auditors/independent auditors;
- ensure that the internal control and risk management systems recommendations made by internal auditor and independent auditor have been implemented by the Management; and
- ensure the Board is in a position to comment on the adequacy and effectiveness of the internal controls and risk management systems of the Group.

# CORPORATE *GOVERNANCE REPORT*

Together with the reports from the internal and independent auditors and management representation letters, the ARC also carries out assessment of the adequacy and effectiveness of key internal controls during the year. Any material non-compliance or weaknesses internal controls or recommendations from the internal auditor and independent auditor to further improve the internal controls and risk management systems were reported to the ARC. The ARC will also follow up on the actions taken by the Management on the recommendations made by the internal and independent auditors.

Based on the various management controls put in place and the reports from the internal and independent auditors, reviews and confirmations by the Management, the Board is satisfied that the system of internal controls addressing financial, operational, compliance and information technology controls, and risk management systems during the year are adequate and effective as at financial year ended 31 December 2023. The ARC concurred with the Board's comments on the adequacy and effectiveness of internal controls (including financial, operational, compliance and information technology) and risk management systems. The Management continues to focus on improving the standard of internal controls and corporate governance.

*Provision 9.2: Assurance from the CEO and CFO*

The Board has received assurance from the Executive Chairman and Financial Controller: -

(a) that the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances; and

(b) regarding the adequacy and effectiveness of the Company's risk management and internal control systems (including financial, operational, compliance and information technology).

The Directors have received and considered the confirmations in accordance with Rule 705(5) of the Listing Manual from the Executive Chairman and the Financial Controller in relation to the financial information for the year.

**Audit and Risk Committee**

***Principle 10: The Board has an ARC which discharges its duties objectively.***

Provision 10.1, 10.2 and 10.3: Composition of the ARC

The terms of reference of the ARC provides that the ARC shall comprise three (3) members, a majority are Independent Directors. The 3 members of the ARC are Mr Kong Weili, Mr Francis Lee Fook Wah and Mr Ding Furu. The Chairman of the ARC is Mr Kong Weili. Each member of the ARC shall abstain from voting on any resolutions in respect of matters in which he is interested.

The Board is of the view that the members of the ARC including the ARC Chairman are appropriately qualified in that they have recent and relevant accounting or related financial management expertise and experiences to discharge the ARC's function and responsibilities.

# CORPORATE *GOVERNANCE REPORT*

The ARC comprises of members who have sufficient experience in finance, legal and business fields. None of the ARC members was a former partner or director of the Company's existing auditing firm, (a) within a period of two years commencing on the date of their ceasing to be a partner or director of the auditing firm; and (b) for as long as they have any financial interest in the auditing firm. The Board is of the view that the ARC has sufficient financial management expertise and experience to discharge the ARC's functions.

The ARC assists the Board in discharging their responsibility to safeguard the Group's assets, maintain adequate accounting records, oversight and monitoring whistleblowing and assists the Board to oversee the governance of risk including determine the nature and extent of the significant risks which the Company is willing to take in achieving its strategic objectives and value creation and also oversee the Company's risk management framework and policies. In addition, the ARC reviews and reports to the Board at least annually the adequacy and effectiveness of the Company's internal controls including financial, operational, compliance and information technology controls, and risk management systems to ensure that the Management maintains a sound system of risk management and internal controls.

The ARC performs the functions specified by the Companies Act, the Listing Manual and the Code and assists the Board in the execution of its corporate governance responsibilities within its established terms of reference.

The ARC has adopted written terms of reference which includes governance of risk. According to the written terms of reference, the ARC has the authority to undertake such reviews and projects as it may consider appropriate in the discharge of its duties. The ARC has full access to and the co-operation of the Management. The ARC may invite any Director or key management personnel to attend its meetings and has reasonable resources to enable it to perform its functions. The internal and independent auditors have direct and unrestricted access to the Chairman of the ARC and the Chairman of the Board.

The terms of reference of the ARC will be reviewed if there be any change in the risk appetite taking into consideration sanctions-related risk. The Board and ARC will be responsible for (a) monitoring the issuer's risk of becoming subject to, or violating, any Sanctions Law; and (b) ensuring timely and accurate disclosures to SGX and other relevant authorities.

In FY2023, the ARC met at least twice a year and also held informal meetings and discussions with Management from time to time. Details of the members' attendance at ARC meetings in FY2023 are provided in Section 1.1 of this corporate governance report.

The ARC performed the following functions in FY2023: -

**(a) Independent Auditors**

In the course of their audit, the independent auditors have reviewed the financial controls in areas which could have a material impact on the financial statements with an aim to ensure that these are adequate for the financial statements' attestation purpose. They have reported their observations and made recommendations for improvement to the ARC. The ARC has also reviewed the report and ensures that Management has taken appropriate actions.

For FY2023, the ARC reviewed together with the auditors: -

(i) the audit plan (including, among others, the nature and scope of the audit before the audit commenced and the risk management systems issues of the Group);

# CORPORATE *GOVERNANCE REPORT*

(ii) their evaluation of the financial controls in areas which could have a material impact on the financial statements;

(iii) their auditors' report;

(iv) the assistance given to them by the Company's officers;

(v) the consolidated statement of financial position and income statement of the Company; and

(vi) the interested person transactions of the Group.

The auditors confirmed that the non-audit services provided to the Group in FY2023 is SGD18,200 which is below 50% of audit fees, and the ARC is of the opinion that the auditors' independence has not been compromised. The aggregate audit fees paid and payable to the auditors, CLA Global TS Public Accounting Corporation in FY2023 is SGD126,000.

The ARC had evaluated the performance of the independent auditors based on the key indicators of audit quality set out in the Guidance to Audit Committees on Evaluation of Quality of Work performed by External Auditors, such as performance, adequacy of resources and experience of their audit engagement partner and auditing team assigned to the Group's audit, the size and complexity of the Group.

The ARC had also evaluated the independent auditors based on the eight (8) Audit Quality Indicators at engagement and/or firm-level.

The ARC has reviewed the key audit matters disclosed in the independent auditors' report and is of the view that there is no material inconsistency between the audit procedures adopted by the independent auditors and the Management's assumptions and estimates and is satisfied that the key audit matters have been properly dealt with.

The ARC shall continue to monitor the scope and results of the independent audit, its cost effectiveness and the independence and objectivity of the independent auditors and give its recommendations to the Board and the Company regarding the appointment, re-appointment or removal of the independent auditors. The Group has appointed Shanghai CLA Global TS Certified Public Accountants, which is the same member firm of the Company's independent auditors, CLA Global TS Public Accounting Corporation for its significant subsidiaries and associated companies in PRC. The Company confirmed that Rule 712, Rule 715 and Rule 716 of the Listing Manual have been complied with. Accordingly, the ARC recommended to the Board, the nomination of the independent auditors of the Company for re-appointment at the forthcoming AGM.

*Provision 10.4: Internal audit function*

The Company has outsourced its internal audit function to Messrs Mazars LLP, who reports directly to the Chairman of the ARC. The ARC reviews the independence, adequacy and effectiveness of the internal audit function and is satisfied that for the financial year under review, the internal audit function is independent, effective, adequately resourced and has the appropriate standing within the Group.

The external auditors will also perform operational and financial audit as required from time to time.

# CORPORATE *GOVERNANCE REPORT*

The ARC has put in place a whistleblowing policy and procedures to provide employees with well-defined and accessible channels within the Group for reporting suspected fraud, corruption, dishonest practices, or similar matters or raise concerns about possible improprieties in matters of financial reporting or other matters and ensure that arrangements are in place for the independent investigations of such matters and for appropriate follow up actions. The policy also included procedures for investigating whistleblowing reports made in good faith.

The aim of the policy is to encourage the reporting of such matters in good faith and with confidence that employees making such reports will be treated fairly and to the extent possible, be protected against detrimental or unfair treatment. Identity of the whistleblower is kept confidential. Where appropriate, an independent third party may be appointed to assist in the investigation. The ARC recognized it is responsible for oversight and monitoring of whistleblowing.

The ARC has not received any complaints as at the date of the AR.

In addition to the activities undertaken to fulfill its responsibilities, the ARC is kept abreast by the Management, external and independent auditors on changes of accounting standards, stock exchange rules and other codes and regulations which could have an impact on the Group's business and financial statements.

*Provision 10.5: Meeting with external auditors and internal auditors*

The ARC met once with the external auditors and internal auditors without the presence of Management in FY2023.

## 4. SHAREHOLDER RIGHTS AND RESPONSIBILITIES

### Shareholders Rights and Conduct of General Meetings

***Principle 11: The Company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the company. The company gives shareholders a balanced and understandable assessment of its performance, position and prospects.***

*Provision 11.1, 11.2, 11.3 and 11.4: Conduct of general meetings*

The Company treats all the Shareholders fairly and equitably, and recognises, protects and facilitates the exercise of shareholders' rights. Furthermore, the Company continually reviews and updates such governance arrangement. Shareholders are informed of changes in the Company's businesses that are likely to materially affect the value of the Company's shares.

In line with the continuous obligations of the Company pursuant to the Listing Manual, the Board's policy is that all the Shareholders should be equally informed of all major developments impacting the Group.

# CORPORATE *GOVERNANCE REPORT*

The Company recognises that effective communication can highlight transparency and enhance accountability to the Shareholders. The Company provides information to the Shareholders via SGXNet announcements and news releases. The Company ensures that price-sensitive information is publicly released, and is announced on an immediate basis where required under the SGX-ST's rules. Where an immediate announcement is not possible, the announcement is made as soon as possible to ensure that the Shareholders and the public have fair access to the information.

The Company does not practice selective disclosure. Price-sensitive information is first publicly released before the Company meets with any group of investors or analysts. Financial Results and Annual Report ("AR") are announced and issued within the mandatory period. The Company does not employ any investor relations personnel; however, the Executive Directors and key management personnel are always available by email or telephone to answer questions from the Shareholders and the media as long as the information requested does not conflict with SGX-ST's rules of fair disclosure.

Presently, the Company does not have an investor policy or protocol in place nor a dedicated investor relations team. The Company will assess the need to establish an investor policy or protocol or investor relations team as and when it deems necessary.

All Directors, including the Chairman of the ARC, NC and RC will be present at the general meetings to address the Shareholders' queries. Independent Auditors will also be present at such meeting to assist the Directors to address any relevant queries from the Shareholders, if necessary.

Shareholders have the opportunity to participate effectively and to vote in general meetings either in person or by proxy. Resolutions on each distinct issue are tabled separately at general meetings. The Company has implemented the system of voting by poll on all resolutions tabled at its general meetings. Results of each resolution put to poll at the general meetings will be announced with details of percentages in favour and against. The Company's Constitution allows corporations and members of the Company to appoint one (1) or two (2) proxies to attend and vote at general meetings. A Relevant Intermediary[1] may appoint more than two (2) proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number and class of shares shall be specified). An investor who holds shares under the Central Provident Fund Investment Scheme ("CPF Investor") and/or the Supplementary Retirement Scheme ("SRS Investor") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting. The independent auditors are also present to assist the Directors in addressing any relevant queries from the Shareholders.

---

A Relevant Intermediary is:

a) a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or

b) a person holding a capital markets services licence to provide custodial services for securities under the Securities And Futures Act (Cap. 289) and who holds shares in that capacity; or

c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

# CORPORATE *GOVERNANCE REPORT*

*Provision 11.5: Minutes of general meetings*

The Company Secretary prepare minutes of general meetings and these minutes are subsequently reviewed and approved by the Board. Minutes of the AGM has been published at the SGXNET on 24 May 2023.

*Provision 11.6: Dividend policy*

The Company currently does not have a dividend policy. The form, frequency and amount of dividend declared each year will take into consideration the Group's profit growth, cash position, positive cash flows generated from operations, projected capital requirements for business growth and other factors as the Board may deem appropriate.

**Engagement with Shareholders**

***Principle 12: The company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the company.***

*Provision 12.1, 12.2 and 12.3: Shareholder engagement*

All the Shareholders will receive the AR and/or circular and the notice of the AGM and/or EGM within the notice period prescribed by the regulations. The notice is also advertised in a local newspaper and made available on SGXNet. The Company encourages the Shareholders' participation effectively in and vote at general meetings and all the Shareholders are given the opportunity to voice their views and to direct queries regarding the Group to Directors, including the chairman of each of the Board Committees.

## 5. MANAGING STAKEHOLDER RELATIONSHIPS

**Engagement with Stakeholders**

***Principle 13: The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the company are served.***

*Provision 13.1, 13.2 and 13.3: Stakeholder engagement*

The Board identifies its key stakeholder groups and determines the Group's values and standards including ethical standards to ensure that obligations to its stakeholders are understood and met.

The Company is committed to maintain and improve its level of corporate transparency of financial results and other pertinent information. Other than announcements made via SGXNet in accordance with the requirements of the Listing Manual, the Shareholders and Stakeholders can access more information of the Company and the Corporate Profile of the Company from the Company's website www.thaivillagerestaurant.com.sg.

# CORPORATE *GOVERNANCE REPORT*

The Board also regards sustainability development as a core value of the Group and is committed to adopting sustainable practices across its businesses. The Sustainability Report FY2023 to keep stakeholders informed on the Group's business and operations will be made via SGXNET and published on the Company's website at www.thaivillagerestaurant.com.sg.

**Dealings In Securities**

The Company has complied with Rule 1207(19) of the Listing Manual in relation to the best practices on dealings in the securities:-

(a) The Company had devised and adopted its own internal compliance code to provide guidance to its officers with regards to dealings by the Company and its officers in its securities;

(b) Officers of the Company are reminded not to deal in the Company's securities on short-term considerations; and

(c) The Company and its officers must not deal in the Company's shares (i) during the periods commencing one (1) month before the announcement of the Company's half-year and full year financial statements, ending on the date of the announcement of the relevant results, and (ii) if they are in possession of unpublished price-sensitive information of the Group.

Directors and key management personnel are also expected to observe insider-trading laws at all times even when dealing with securities within the permitted trading period.

**Material Contracts**
(Listing Manual Rule 1207(8))

Other than disclosed in the audited financial statements and the service agreements between the Executive Directors and the Company, there was no material contracts to which the Company or any of its subsidiary is a party and which involve the Directors and controlling shareholders' interests subsisted at the end of FY2023, or have been entered into since the end of the previous year.

**Interested Person Transactions**
(Listing Manual Rule 907)

The Group is in compliance with the provisions of interested person transactions under the Listing Manual of the SGX-ST.

All interested person transactions ("IPT") will be documented and submitted periodically to the AC for their review to ensure that such transactions are carried out on an arm's length basis and on normal commercial terms and are not prejudicial to the interests of the Company.

Aggregate value of interested person transaction entered from 1 January 2023 to 31 December 2023.

The total value of other interested person transactions with Mr. Ding or any of his associates for FY2023 was approximately RMB 56.9 million (approximately S$10.8 million), representing approximately 18.4% of the audited net tangible asset of the Group for FY2022 (being the latest audited net tangible asset amounting to approximately S$58.7 million).

# CORPORATE *GOVERNANCE REPORT*

Such interested person transactions were (a) entered into pursuant to shareholders' approval obtained (RMB 10 million (approximately S$1.9 million)); (b) entered into pursuant to an exemption under the Listing Manual (RMB 4 million (approximately S$0.8 million)); (c) entered into prior to the relevant person becoming an interested person (RMB 24.1 million (approximately S$4.6 million)); and (d) of no financial impact to the Company (as explained below) (RMB 13.8 million (approximately S$2.6 million)).

The above total value related to the following transactions:

| Transaction | Name of interested person | Nature of relationship | Aggregate value of transaction | Approval |
|---|---|---|---|---|
| Accrual of interest amounts payable[1] by Fengchi IOT Management Co., Ltd to the Company under the Existing RMB200 million Loan, as required by applicable accounting principles. | Mr. Ding. | Mr. Ding is the 100.0% ultimate beneficial shareholder of Shanghai Liuyu Information Technology Co. Ltd and Shanghai Liuyu Information Technology Co. Ltd is the 51% shareholder of Fengchi IOT Management Co., Ltd.<br><br>Fengchi IOT Management Co., Ltd is therefore an associate of Mr. Ding. | RMB 10 million (approximately S$1.9 million). | Shareholder's approval was sought for the Existing RMB200 million Loan under the Subscription Circular and obtained on 5 August 2022. |
| Repayment of principal amounts under the Short-Term Financing Loan by Fengchi IOT Management Co., Ltd to associated company of Mr. Ding. | Mr. Ding. | The provider of the Short-Term Financing Loan is an associated company of Mr. Ding. | RMB 15 million (approximately S$2.8 million) | The Short-Term Financing Loan was entered into prior to Mr. Ding becoming a Controlling Shareholder of the Company. |
| Accrual of interest amounts payable[2] by Fengchi IOT Management Co., Ltd to the associated company of Mr. Ding under the Short-Term Financing Loan, as required by applicable accounting principles. | Mr. Ding. | The provider of the Short-Term Financing Loan is an associated company of Mr. Ding. | RMB 832,639 (approximately S$157,697). | The Short-Term Financing Loan was entered into prior to Mr. Ding becoming a Controlling Shareholder of the Company. |

# CORPORATE *GOVERNANCE REPORT*

| | | | | |
|---|---|---|---|---|
| Repayment of principal and interest amounts under the Bridging Loan by Fengchi IOT Management Co., Ltd to a subsidiary corporation of the Company, Tianjin Lanting Enterprise Management Co., Ltd. (formerly known as Tianjin Pavillon Assets Management Co., Ltd.). | Mr. Ding. | Mr. Ding is the 100.0% ultimate beneficial shareholder of Shanghai Liuyu Information Technology Co. Ltd and Shanghai Liuyu Information Technology Co. Ltd is the 51% shareholder of Fengchi IOT Management Co., Ltd.<br><br>Fengchi IOT Management Co., Ltd is therefore an associate of Mr. Ding. | RMB 8.26 million (approximately S$1.6 million). | The Bridging Loan was entered into prior to Mr. Ding becoming a Controlling Shareholder of the Company. |
| Capital injection by a subsidiary corporation of the Company, Pavillon Business Development (Shanghai) Co., Ltd. into Daju Logistics (Tianjin) Co., Ltd, as paid-up capital in proportion to its shareholding of the associated company. | Mr. Ding. | Mr. Ding is the 100.0% ultimate beneficial shareholder of Shanghai Liuyu Information Technology Co. Ltd and Shanghai Liuyu Information Technology Co. Ltd is the 51% shareholder of Daju Logistics (Tianjin) Co., Ltd.<br><br>Daju Logistics (Tianjin) Co., Ltd is therefore an associate of Mr. Ding. | RMB 4 million (approximately S$0.8 million). | Exempted from Rule 906 of the Listing Manual pursuant to Rule 916(2) of the Listing Manual (as announced by the Company on 13 April 2023) |
| Payment of rental amounts by Daju Logistics (Tianjin) Co., Ltd to Fengchi IOT Management Co., Ltd under the Leases. | Mr. Ding. | Mr. Ding is the 100.0% ultimate beneficial shareholder of Shanghai Liuyu Information Technology Co. Ltd and Shanghai Liuyu Information Technology Co. Ltd is the 51% shareholder of Fengchi IOT Management Co., Ltd.<br><br>Fengchi IOT Management Co., Ltd is therefore an associate of Mr. Ding. | RMB 6.88 million (approximately S$1.3 million)[3]. | NA |

# CORPORATE *GOVERNANCE REPORT*

| | | | | |
|---|---|---|---|---|
| Receipt of rental amounts by Fengchi IOT Management Co., Ltd from Daju Logistics (Tianjin) Co., Ltd under the Leases. | Mr. Ding. | Mr. Ding is the 100.0% ultimate beneficial shareholder of Shanghai Liuyu Information Technology Co. Ltd and Shanghai Liuyu Information Technology Co. Ltd is the 51% shareholder of Daju Logistics (Tianjin) Co., Ltd.<br><br>Daju Logistics (Tianjin) Co., Ltd is therefore an associate of Mr. Ding. | RMB 6.88 million (approximately S$1.3 million)[(3)]. | NA |
| Interest-free loan to Daju Logistics (Tianjin) Co., Ltd from Shanghai Liuyu Information Technology Co. Ltd | Mr. Ding. | Mr. Ding is the 100.0% ultimate beneficial shareholder of Shanghai Liuyu Information Technology Co. Ltd<br><br>Shanghai Liuyu Information Technology Co. Ltd is therefore an associate of Mr. Ding. | RMB 5 million (approximately S$0.93 million). | Note 5 |

**Notes :**

(1) Whilst accrued in accordance with accounting principles, the interest amount will only be payable at the end of the tenure of the existing RMB200 million loan, in accordance with its terms.

(2) Whilst accrued in accordance with accounting principles, the interest amount will only be payable at the end of the tenure of the Short-Term Financing Loan, in accordance with its terms.

(3) Under the terms of the Leases, the rental amounts are due every three (3) months, and the next rental amounts will be due and payable by Daju Logistics (Tianjin) Co., Ltd to Fengchi IOT Management Co., Ltd by the end of February 2024.

(4) Both Daju Logistics (Tianjin) Co., Ltd and Fengchi IOT Management Co., Ltd are associated companies of the Group where the Group holds an indirect shareholding interest of 49% in each of these entities and Mr. Ding (through Shanghai Liuyu Information Technology Co. Ltd) holds the remaining shareholding interest of 51% in each of these entities. Pursuant to the Leases, Daju Logistics (Tianjin) Co., Ltd as the entity at risk (as an associated company of the Company) paid a total of RMB 6.88 million (approximately S$1.3 million) in rental amounts for FY2023 to Fengchi IOT Management Co., Ltd as the interested person (as an associate of Mr. Ding who is a Controlling Shareholder of the Company through New Development Hotel Management Pte Ltd ) and Fengchi IOT Management Co., Ltd as the entity at risk (as an associated company of the Company) received a total of RMB 6.88 million (approximately S$1.3 million) in rental amounts for FY2023 from Daju Logistics (Tianjin) Co., Ltd as the interested person (as an associate of Mr. Ding who is a Controlling Shareholder of the Company through New Development Hotel Management Pte Ltd ). The payment and receipt of the rental amounts thereunder are pursuant to the same transaction under the Leases and from the Group's perspective, due to the fact that these entities have the same shareholders in the same proportion, there is no financial impact on the Group resulting from the payment and receipt of rental amounts under the Leases.

(5) As the loan is interest free, there is no amount at risk.

The Company does not have a general shareholders' mandate for recurrent IPT.

# CORPORATE *GOVERNANCE REPORT*

**Use of Proceeds**
(Listing Manual Rule 1207(20))

The Company refers to the RMB Subscription Amount of RMB 200 million (equivalent to the Subscription Amount of S$42,935,961.02 based on the Agreed Exchange Rate) (being all of the proceeds from the Proposed Subscription) for the Subscription Shares.

The table below set out the use of proceeds from the Proposed Subscription approved by shareholders on 5 August 2022 and has been disclosed in our announcement dated 5 March 2023:

| Use of net proceeds | Allocation of proceeds | Proceeds utilised as at 31 December 2023 |
|---|---|---|
| Pay for the principal amounts of the Shareholders' Fengchi IOT Bridging Loans | RMB 16.0 million (equivalent to approximately S$3.4 million) | RMB 11.81 million |
| Pay for the final outstanding payments under the Construction Financing | RMB 166.9 million (equivalent to approximately S$35.8 million) | RMB 165.5 million |
| Finance the remaining instalment amounts and interest payments under the Bank Loan for FY2022 | RMB 23.5 million (equivalent to approximately S$5.0 million) | RMB 22.69 million |

# STATISTICS OF *SHAREHOLDERS*

**AS AT 25 MARCH 2024**

| | |
|---|---|
| Total number of issued shares excluding treasury shares and subsidiary holdings | – 1,434,967,260 |
| Number of treasury shares held | – NIL |
| Number of subsidiary holdings held | – NIL |
| Class of Shares | – Ordinary shares |
| Voting Rights | – One Vote per share |

**DISTRIBUTION OF SHAREHOLDERS BY SIZE OF SHAREHOLDINGS**

| Size of Shareholdings | No. of Shareholders | % of Shareholders | No. of Shares | % of Shareholdings |
|---|---|---|---|---|
| 1 – 99 | 28 | 1.67 | 1,325 | 0.00 |
| 100 – 1,000 | 163 | 9.73 | 90,356 | 0.01 |
| 1,001 – 10,000 | 581 | 34.69 | 2,101,975 | 0.14 |
| 10,001 – 1,000,000 | 884 | 52.78 | 72,581,768 | 5.06 |
| 1,000,001 AND ABOVE | 19 | 1.13 | 1,360,191,836 | 94.79 |
| **TOTAL** | **1,675** | **100.00** | **1,434,967,260** | **100.00** |

**TWENTY-TWO LARGEST SHAREHOLDERS**

| No. | Name of Shareholder | No. of Shares | % of Shareholdings |
|---|---|---|---|
| 1 | NEW DEVELOPMENT HOTEL MANAGEMENT PTE. LTD. | 1,047,218,560 | 72.98 |
| 2 | UOB KAY HIAN PTE LTD | 101,978,950 | 7.11 |
| 3 | UNION ENERGY CORPORATION PTE LTD | 41,000,000 | 2.86 |
| 4 | SINGAPORE ENTERPRISES PTE LTD | 38,700,000 | 2.70 |
| 5 | CITIBANK NOMINEES SINGAPORE PTE LTD | 36,429,000 | 2.54 |
| 6 | KOK NYONG PATT | 25,027,725 | 1.74 |
| 7 | LEE TONG SOON | 24,135,526 | 1.68 |
| 8 | UNIGOLD ASIA LIMITED | 22,252,725 | 1.55 |
| 9 | DBS NOMINEES PTE LTD | 5,761,050 | 0.40 |
| 10 | CHAN I-HARN ALVIN (CHEN YIHAN ALVIN) | 3,032,000 | 0.21 |
| 11 | TEO KOK LEONG | 2,852,000 | 0.20 |
| 12 | FOO HEE YI | 2,122,200 | 0.15 |
| 13 | PHILLIP SECURITIES PTE LTD | 1,860,050 | 0.13 |
| 14 | ANG YU SENG | 1,554,500 | 0.11 |
| 15 | CHUA YEW CHYE | 1,400,000 | 0.10 |
| 16 | UNITED OVERSEAS BANK NOMINEES PTE LTD | 1,398,750 | 0.10 |
| 17 | CHEN LIPING | 1,300,000 | 0.09 |
| 18 | TOO BEE FERN | 1,107,800 | 0.08 |
| 19 | CHAN TIAN HOE | 1,061,000 | 0.07 |
| 20 | CHUA YUE PENG | 1,000,000 | 0.07 |
| 21 | TAN CHEOK MENG | 1,000,000 | 0.07 |
| 22 | TAN WEIREN VINCENT (CHEN WEIREN VINCENT) | 1,000,000 | 0.07 |
| | **TOTAL** | **1,363,191,836** | **95.01** |

# STATISTICS OF *SHAREHOLDERS*

**SUBSTANTIAL SHAREHOLDERS AS AT 25 MARCH 2024**
**(as shown in the Register of Substantial Shareholders)**

| | | Direct Interest | | Deemed Interest | |
|---|---|---|---|---|---|
| **No.** | **Name of Shareholder** | **No. of Shares** | **%** | **No. of Shares** | **%** |
| 1. | UOB Kay Hian Private Limited | 100,000,000 | 6.97 | - | - |
| 2. | Hong Kong Bright Food Investment Co., Limited (1) | - | - | 100,000,000 | 6.97 |
| 3. | Yang Shang Ran (1) | - | - | 100,000,000 | 6.97 |
| 4. | Union Energy Corporation Pte Ltd | 41,000,000 | 2.86 | - | - |
| 5. | Teo Kiang Ang (2) | 35,211,000 | 2.45 | 41,000,000 | 2.86 |
| 6. | New Development Hotel Management Pte. Ltd. | 1,047,218,560 | 72.98 | - | - |
| 7. | Ding Furu (3) | - | - | 1,047,408,560 | 72.99 |

**Notes:**

(1) Hong Kong Bright Food Investment Co., Limited ("HK Bright Food") is deemed interested in the shares held by UOB Kay Hian Private Limited for and on behalf of HK Bright Food. Mr Yang Shang Ran is the sole shareholder of Hong Kong Bright Food Investment Co., Limited ("HK Bright Food") .

(2) Mr Teo Kiang Ang is ultimate beneficial owner of Union Energy Corporation Pte Ltd.

(3) Mr Ding Furu is deemed to be interested in (a) 190,200 shares held by UOB Kay Hian Private Limited, as the beneficial owner; and (b) 1,047,218,560 shares held by New Development Hotel Management Pte. Ltd., of which Mr Ding Furu is the sole director and shareholder.

**COMPLIANCE WITH RULE 723 OF THE SGX-ST LISTING MANUAL**

As at 25 March 2024, based on the registers of shareholders and to the best knowledge of the Company, the percentage of shareholding held in the hands of the public is 13.11% The Company is therefore in compliance with Rule 723 of the SGX-ST Listing Manual.

# NOTICE OF *ANNUAL GENERAL MEETING*

**NOTICE IS HEREBY GIVEN THAT** the Annual General Meeting of **PAVILLON HOLDINGS LTD.** (the "**Company**") will be held at Thai Village Restaurant, 2 Stadium Walk, #01-02/03 Singapore Indoor Stadium, Singapore 397691 on Friday, 26 April 2024 at 3.00 p.m. for the following purposes: -

**AS ORDINARY BUSINESS**

1. To receive and adopt the Audited Financial Statements of the Company for the financial year ended 31 December 2023 together with the Directors' Statement and Independent Auditors' Report thereon. **Resolution 1**
2. To approve payment of Directors' Fees of S$90,000 for the financial year ending 31 December 2024, with payment to be made in arrears. (2023: S$120,000) **Resolution 2**
3. To re-elect Mr Francis Lee Fook Wah, a Director of the Company, who retire pursuant to Article 107 of the Constitution of the Company. **Resolution 3**
   **[See Explanatory Note (i)]**
4. To re-elect Ms Bai Yun, a Director of the Company, who retire pursuant to Article 117 of the Constitution of the Company. **Resolution 4**
   **[See Explanatory Note (ii)]**
5. To note the retirement of Dr John Chen Seow Phun who is retiring in accordance with Article 107 of the Constitution of the Company.
   **[See Explanatory Note (iii)]**
6. To re-appoint Messrs CLA Global TS Public Accounting Corporation as Auditors of the Company and to authorise the Directors of the Company to fix their remuneration. **Resolution 5**
7. To transact any other ordinary business which may be properly transacted at an Annual General Meeting.

**AS SPECIAL BUSINESS**

To consider and, if thought fit, to pass the following resolutions (with or without amendments) as Ordinary Resolution:-

8. <u>Authority to allot and issue shares</u> **Resolution 6**

   "That pursuant to Section 161 of the Companies Act 1967 of Singapore (the "Companies Act") and Rule 806(2) of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST"), authority be and is hereby given to the Directors of the Company to:-

   (a) (i) issue shares in the capital of the Company ("**shares**") whether by way of rights, bonus or otherwise; and/or

   (ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares, at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

# NOTICE OF *ANNUAL GENERAL MEETING*

(b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force,

provided that:

(1) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 50 per cent of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro rata basis to shareholders of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 20 per cent of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with paragraph (2) below);

(2) (subject to such manner of calculation and adjustments as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under paragraph (1) above, the percentage of issued shares shall be based on the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time this Resolution is passed, after adjusting for:

(i) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed; and

(ii) any subsequent bonus issue, consolidation or subdivision of shares;

Adjustments in accordance with (i) and (ii) above are only to be made in respect of new shares arising from convertible securities, share options or share awards which were issued and outstanding or subsisting at the time of the passing of this resolution.

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution for the time being of the Company; and

(unless revoked or varied by the Company in general meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier."
**[See Explanatory Note (iv)]**

# NOTICE OF *ANNUAL GENERAL MEETING*

9 The Proposed Adoption of the Share Buyback Mandate **Resolution 7**

"That: -

(a) for the purposes of Sections 76C and 76E of the Companies Act, the exercise by the Directors of all the powers of the Company to purchase or otherwise acquire issued ordinary shares of the Company (the "**Shares**") not exceeding in aggregate the Maximum Percentage (as defined below), at such price or prices as may be determined by the Directors in their discretion from time to time up to the Maximum Price, whether by way of:

(i) on-market purchases ("**Market Purchases**"), transacted on the SGX-ST through the SGX-ST's trading system or, as the case may be, any other securities exchange on which the Shares may for the time being be listed and quoted, through one or more duly licensed stockbrokers appointed by the Company for the purpose; and/or

(ii) off-market purchases ("**Off-Market Purchases**"), (if effected otherwise than on the SGX-ST) in accordance with any equal access scheme(s) as defined in Section 76C of the Companies Act, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act and the Listing Manual.

and otherwise in accordance with all other laws and regulations and rules of the SGX-ST or, as the case may be, as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the "**Share Buyback Mandate**");

(b) unless varied or revoked by the Company in general meeting, the authority conferred on the Directors of the Company pursuant to the Share Buyback Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the date of the passing of this Resolution and expiring on the earliest of:

(i) the date on which the next Annual General Meeting of the Company is held or required by law to be held, whichever is the earlier;

(ii) the date on which the authority conferred by the Share Buyback Mandate is revoked or varied by Shareholders in a general meeting; or

(iii) the date on which purchases and acquisitions of Shares by the Company pursuant to the Share Buyback Mandate are carried out to the full extent mandated;

(c) in this Resolution:

"**Average Closing Price**" means the average of the closing market prices of the Shares over the last five (5) Market Days on the SGX-ST, on which transactions in the Shares were recorded, immediately preceding the day of the Market Purchase or, as the case may be, the date of the making of the offer pursuant to the Off-Market Purchase, and deemed to be adjusted for any corporate action that occurs after the relevant five (5)-Market Day period;

# NOTICE OF *ANNUAL GENERAL MEETING*

"**day of the making of the offer**" means the day on which the Company announces its intention to make an offer for the purchase of Shares from Shareholders, stating the Purchase Price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase.

"**Maximum Percentage**" means the total number of Shares that may be purchased or acquired which shall not exceed 10% of the total number of issued Shares excluding treasury shares and subsidiary holdings as at the date of the Annual General Meeting at which the Share Buyback Mandate is approved, unless: (i) the Company has, at any time during the Relevant Period, reduced its share capital by a special resolution under Section 78C of the Companies Act; or (ii) the court has, at any time during the Relevant Period, made an order under Section 78I of the Companies Act confirming the reduction of share capital of the Company, in which event, the total number of issued Shares excluding treasury shares and subsidiary holdings shall be taken to be the total number of issued Shares excluding treasury shares and subsidiary holdings as altered by the special resolution of the Company or the order of the Court, as the case may be; and

"**Maximum Price**" means the purchase price to be paid for a Share as determined by the Directors which must not exceed in the case of a Market Purchase, 105% of the Average Closing Price, and in the case of an Off-Market Purchase pursuant to an equal access scheme, 120% of the Average Closing Price, in either case, excluding related expenses of the purchase;

(d) the Directors of the Company and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they and/or he may consider expedient or necessary to give effect to the transactions contemplated and/or authorised by this Resolution; and

(e) to the extent that any action in connection with the matters referred to in the above paragraphs of this Resolution or the transactions contemplated and/or authorised by this Resolution has been performed or otherwise undertaken (whether partially or otherwise), they be and are hereby approved, ratified and confirmed."

**[See Explanatory Note (v)]**

BY ORDER OF THE BOARD

CHAN LAI YIN
Company Secretary

Singapore, 11 April 2024

# NOTICE OF *ANNUAL GENERAL MEETING*

**Explanatory Notes:**

(i) Mr Francis Lee Fook Wah, will upon re-election as a Director of the Company, remain as the Lead Independent Director of the Company, Chairman of the Nominating Committee and Remuneration Committee and a member of Audit and Risk Committee. He will be considered independent for the purpose of Rule 704(8) of the Listing Manual of the SGX-ST. Pursuant to Rule 720(6) of the Listing Manual of the SGX-ST, detailed information of Mr Francis Lee Fook Wah who is seeking re-election at the Annual General Meeting can be found in the Corporate Governance Report under Provision 4.5 of the Annual Report.

(ii) Ms Bai Yun, will upon re-election as a Director of the Company, remain as Executive Director of the Company. Pursuant to Rule 720(6) of the Listing Manual of the SGX-ST, detailed information of Mr Kong Weili who is seeking re-election at the Annual General Meeting can be found in the Corporate Governance Report under Provision 4.5 of the Annual Report.

(iii) Dr John Chen Seow Phun, upon his retirement as a Director, will cease to be Executive Chairman of the Company. Upon his retirement, Dr John Chen Seow Phun will be accorded the title Chairman Emeritus in recognition of his valuable contributions since 2001.

(iv) Ordinary Resolution 6 proposed in item 8 above, if passed, will empower the Directors from the date of the above Meeting until the date of the next Annual General Meeting, to allot and issue shares and convertible securities in the Company. The aggregate number of shares (including any shares issued pursuant to the convertible securities) which the Directors may allot and issue under this Resolution will not exceed fifty per cent. (50%) of the Company's total number of issued shares excluding treasury shares and subsidiary holdings of the Company. For issues of shares other than on a pro rata basis to all shareholders, the aggregate number of shares to be issued will not exceed twenty per cent. (20%) of Company's total number of issued shares excluding treasury shares and subsidiary holdings of the Company. This authority will, unless previously revoked or varied at a general meeting, expire at the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier. However, notwithstanding the cessation of this authority, the Directors are empowered to issue shares pursuant to any Instrument made or granted under this authority.

(v) Ordinary Resolution 7 proposed in item 9 above, if passed, will empower the Directors of the Company effective until the earliest of: (a) the date on which the next Annual General Meeting of the Company is held or required by law to be held, whichever is the earlier; (b) the date on which purchases and acquisitions of Shares pursuant to the Share Buy-back Mandate are carried out to the full extent mandated; and (iii) the date on which the authority conferred by the Share Buy-back Mandate is revoked or varied by the Company in a general meeting, to purchase or acquire Shares by way of Market Purchases or Off-Market Purchases, provided that the aggregate number of Shares to be purchased or acquired under the Share Buy-back Mandate is limited to the number of Shares representing not more than 10% of the issued Shares of the Company as at the date of the Annual General Meeting, and at such price(s) as may be determined by the Directors of the Company from time to time up to but not exceeding the Maximum Price. The rationale for, the authority and limitation on, the sources of funds to be used for the purchase or acquisition including the amount of financing and the financial effects of the purchase or acquisition of ordinary shares by the Company pursuant to the Share Buy-back Mandate on the audited consolidated financial statements of the Group for the financial year ended 31 December 2023 are set out in greater detail in the Appendix enclosed together with the 2023 Annual Report.

**Notes:**

1. The Annual General Meeting of the Company ("AGM") is being convened, and will be held, physically. The 2023 Annual Report (with the Appendix) will be mailed to members. The 2023 Annual Report can also be accessed at the Company's website at the URL www.thaivillagerestaurant.com.sg or SGX website at the URL https://www.sgx.com/securities/company-announcements. This Notice will also be made available on the SGX website at the URL https://www.sgx.com/securities/company-announcements.

2. (a) A member (who is not a relevant intermediary) entitled to attend and vote at the Annual General Meeting is entitled to appoint not more than two (2) proxies to attend and vote in his/her stead. Where such member's instrument appointing a proxy(ies) appoints more than one (1) proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the instrument (expressed as a percentage of a whole). If no percentage is specified, the first named proxy shall be deemed to represent 100 per cent of the shareholdings and the second named proxy shall be deemed to be an alternate to the first named proxy.

   (b) A member who is a relevant intermediary is entitled to appoint more than two (2) proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's instrument appointing a proxy(ies) appoints more than two (2) proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the instrument. In relation to a relevant intermediary who wishes to appoint more than two (2) proxies, it should annex to the Proxy Form the list of proxies, setting out, in respect of each proxy, the name, NRIC/Passport Number and proportion of shareholding (number of shares, class of shares and percentage) in relation to which the proxy has been appointed.

   "**Relevant intermediary**" shall have the meaning ascribed to it in Section 181 of the Companies Act 1967 of Singapore

# NOTICE OF *ANNUAL GENERAL MEETING*

3. A proxy need not be a member of the Company.

4. Members (including investors who holds shares under the Central Provident Fund and Supplementary Retirement Scheme ("CPF and SRS Investors") may participate in the AGM by:

   (a) Attending the AGM in person;

   (b) Asking questions at the AGM or submitting questions in advance of the AGM; and/or

   (c) Voting at the AGM (i) personally; or (ii) through duly appointed proxy(ies).

5. **Submission of substantial and relevant questions relating to the agenda of the AGM**.

   In view of the guidance note issued by the Singapore Exchange Regulation, a member may ask questions relating to the items on the agenda of the AGM by:

   (a) Submitting questions via mail to the registered office of the Company at 1002 Tai Seng Avenue, #01-2536, Singapore 534409, or submit electronically via email to sg.is.proxy@sg.tricorglobal.com; or

   (b) "live Question and Answer" at the physical AGM.

   When sending questions, members should also provide their full name (for individuals)/company name (for corporate), NRIC/Passport No./ Company Registration number, email address, contact number, shareholding type and number of shares held for verification.

   Shareholders are encouraged to submit their questions **latest by 18 April 2024 at 3.00 p.m.** The Company will endeavour to address to all substantial and relevant questions submitted prior to the AGM by **3.00 p.m. on 22 April 2024** (at least 48 hours prior to the closing date and time for the lodgment of the proxy forms). The Company's response will be published on (i) the SGX-ST's website; and (ii) the Company's corporate website.

6. The instrument appointing a proxy must be deposited at the Company's Share Registrar, Tricor Barbinder Share Registration Services (a division of Tricor Singapore Pte. Ltd.), at 9 Raffles Place, #26-01 Republic Plaza, Singapore 048619 or send electronic mail to sg.is.proxy@sg.tricorglobal.com enclosing signed PDF copy of the Proxy Form not less than forty-eight (48) hours before the time appointed for the meeting.

7. The Company shall be entitled to reject an instrument of proxy which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the instrument of proxy. In addition, in the case of shares entered in the Depository Register, the Company may reject an instrument of proxy if the member, being the appointor, is not shown to have shares entered against his/her/its name in the Depository Register as at 72 hours before the time appointed for holding the AGM (i.e. 3.00 p.m. on 23 April 2024), as certified by CDP to the Company. A Depositor shall not be regarded as a member of the Company entitled to attend the AGM and vote thereat unless his/her/its name appears on the Depository Register 72 hours before the time appointed for the AGM.

8. CPF Investors and SRS Investors:

   (a) may attend and cast their vote(s) at the AGM in person if they are appointed as proxies by their respective CPF Agent Banks or SRS Operators, and should contact their respective CPF Agent Banks or SRS Operators if they have any queries regarding their appointment as proxies; or

   (b) may appoint the Chairman of the Meeting as proxy to vote on their behalf at the AGM, in which case they should approach their respective CPF Agent Banks or SRS Operators to submit their votes at least seven (7) business days before the AGM (i.e. by 3.00 p.m. on 17 April 2024), and such CPF Investor and/or SRS Investors shall be precluded from attending the AGM.

# NOTICE OF *ANNUAL GENERAL MEETING*

**PERSONAL DATA PRIVACY**

By lodging an instrument appointing a proxy(ies) and/or representative(s), a Shareholder (i) consents to the collection, use and disclose of the Shareholder's personal data by the Company (and its agents) for the purpose of the processing and administration by the Company (and its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (and its agents) to comply with any applicable laws, listing rule, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the Shareholder discloses the personal data of the Shareholder's proxy(ies) and/or representative(s) to the Company (and its agents), the Shareholder has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (and its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the Shareholder will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the Shareholder's breach of warranty.

**PAVILLON HOLDINGS LTD.**

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

# PROXY FORM

| IMPORTANT: |
|---|
| 1. CPF/SRS investors who wish to appoint the Chairman of the AGM as proxy should approach their respective CPF Agent Bank/SRS Operators to submit their votes by 3.00 p.m. on 17 April 2024. |
| 2. For investors who have used their CPF monies and/or SRS monies to buy the Company's shares, this Proxy Form is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by them. |
| 3. By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 11 April 2024. |

*I/We ______________________ (Name) NRIC/Passport No./Co. Registration No. ______________ of
__________________________________________ (Address)
being a *member/members of Pavillon Holdings Ltd. (the "Company"), hereby appoint:

| Name | Address | NRIC / Passport No. | Proportion of shareholdings to be represented by proxy (%) |
|---|---|---|---|
| | | | |

*and/or

| Name | Address | NRIC / Passport No. | Proportion of shareholdings to be represented by proxy (%) |
|---|---|---|---|
| | | | |

Or failing him/her, the Chairman of the Annual General Meeting as *my/our *proxy/proxies to attend and to vote for *me/us on my/our behalf at the Annual General Meeting (the "AGM") of the Company to be held at Thai Village Restaurant, 2 Stadium Walk, #01-02/03 Singapore Indoor Stadium, Singapore 397691 on Friday, 26 April 2024 at 3:00 p.m. and at any adjournment thereof.

*I/We direct *my/our *proxy/proxies to vote for or against or abstain from voting on the Ordinary Resolutions to be proposed at the Annual General Meeting as indicated hereunder. If no specific direction as to voting is given, this Proxy Form shall be disregarded and the proxy shall abstain from voting on any matter arising at the AGM and at any adjournment thereof.

*Please delete accordingly

| No. | Ordinary Resolutions | For | Against | Abstain |
|---|---|---|---|---|
| **Ordinary Business** | | | | |
| 1. | Adoption of the Audited Financial Statements of the Company for the financial year ended 31 December 2023 together with the Directors' Statement and Independent Auditors' Report thereon. | | | |
| 2. | Approval of Directors' Fees for financial year ending 31 December 2024. | | | |
| 3. | Re-election of Mr Francis Lee Fook Wah as a Director of the Company. | | | |
| 4. | Re-election of Ms Bai Yun as a Director of the Company. | | | |
| 5. | Re-appointment of Messrs CLA Global TS Public Accounting Corporation as Auditors of the Company and to authorise Directors of the Company to fix their remuneration. | | | |
| **Special Business** | | | | |
| 6. | Authority to allot and issue shares. | | | |
| 7. | Proposed adoption of the Share Buyback Mandate | | | |

Note: Voting will be conducted by poll. If you wish to exercise all your votes "For" or "Against" or "Abstain" from voting the relevant Resolutions, please tick (X) or (√) within the box provided. Alternatively, please indicate the number of votes "For" or "Against" or "Abstain" each Resolution in the boxes provided as appropriate. If you tick (X) or (√) in the abstain box for a particular Resolution, you are directing your proxy, not to vote on that Resolution.

Dated this ________ day of ____________ 2024.

| Total No. of Shares | No. of Shares |
|---|---|
| (a) CDP Register | |
| (b) Register of Members | |

_________________________
Signature(s) of Member(s)
or, Common Seal of Corporate Member

* Delete accordingly

**IMPORTANT: PLEASE SEE NOTES OVERLEAF BEFORE COMPLETING THIS FORM**

# PAVILLON HOLDINGS LTD.

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

# PROXY FORM

**Notes:**

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (maintained by The Central Depository (Pte) Limited), you should insert that number. If you have shares registered in your name in the Register of Members of the Company, you should insert that number. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by you.

2. CPF/SRS Investors who wish to vote at the AGM should approach their respective CPF agent banks/SRS Operators to submit their votes at least seven (7) working days before the date of the AGM (i.e. by 3:00 p.m. on 17 April 2024). CPF/SRS Investors should not directly appoint the Chairman as proxy to direct the vote.

3. Relevant Intermediaries shall also appoint the Chairman of the AGM to act as proxy and direct the vote at the AGM. Together with the instrument appointing a proxy, the Relevant Intermediaries shall provide to the Company a list of attendees who would like to participate at the AGM by observing and/or listening to the proceedings of the AGM through either live audio-visual webcast or live audio-only stream with such information that may be requested by the Company.

   * A Relevant Intermediary is:

   (a) a banking corporation licensed under the Banking Act 1970 of Singapore or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;

   (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act 2001 of Singapore and who holds shares in that capacity; or

   (c) the Central Provident Fund Board established by the Central Provident Fund Act 1953 of Singapore, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Central Provident Fund Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

4. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint not more than two (2) proxies to attend and vote instead of him. The proxy need not be a member of the Company.

5. The instrument appointing a proxy must be deposited at the Company's Share Registrar, Tricor Barbinder Share Registration Services (a division of Tricor Singapore Pte. Ltd.), at 9 Raffles Place, #26-01 Republic Plaza, Singapore 048619 or send electronic mail to sg.is.proxy@sg.tricorglobal.com enclosing signed PDF copy of the Proxy Form not less than forty-eight (48) hours before the time appointed for the meeting.

6. The instrument appointing a proxy must be under the hand of the appointor or his attorney duly authorised in writing. Where the instrument appointing the Chairman of the AGM as proxy is executed by a corporation, it must be executed under its common seal or under the hand of its attorney or a duly authorized officer.

7. Where an instrument appointing a proxy is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.

8. A corporation that is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the meeting, in accordance with Section 179 of the Companies Act 1967 of Singapore.

9. The Company shall be entitled to reject an instrument appointing a proxy which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the instrument of proxy. In addition, in the case of shares entered in the Depository Register, the Company may reject an instrument appointing the Chairman of the AGM as proxy if the member, being the appointor, is not shown to have shares against his name in the Depository Register as at seventy-two (72) hours before the time appointed for holding the meeting, as certified by The Central Depository (Pte) Limited to the Company.

10. By submitting an instrument appointing a proxy, the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 11 April 2024.

This page has been left blank intentionally

# SUSTAINABILITY REPORT 2023

## CONTENTS


| | |
|---|---|
| **BOARD STATEMENT** | 141 |
| **ABOUT THIS REPORT** | 143 |
| **ORGANISATIONAL PROFILE** | 144 |
| **GROUP STRUCTURE** | 145 |
| **SUSTANABILITY GOVERNANCE** | 146 |
| **STAKEHOLDER ENGAGEMENT** | 147 |
| **MATERIALITY ASSESSMENT** | 148 |
| **SUMMARY OF OUR ESG PERFORMANCE** | 150 |
| **GOVERNANCE** | 151 |
| ECONOMIC PERFORMANCE | 151 |
| COMPLIANCE TO LAWS AND REGULATIONS | 153 |
| **SOCIAL** | 154 |
| EMPLOYMENT | 154 |
| CUSTOMER HEALTH AND SAFETY | 156 |
| CUSTOMER PRIVACY | 157 |
| **ENVIRONMENTAL** | 158 |
| TASK FORCE ON CLIMATE RELATED FINANCIAL DISCLOSURE (TCFD) | 158 |
| CLIMATE RELATED RISKS | 159 |
| CLIMATE RELATED OPPORTUNITY | 160 |
| GREEN HOUSE GAS (“GHG”) EMISSIONS | 161 |
| ENERGY | 162 |
| WATER | 164 |
| WASTE | 165 |
| **GRI CONTENT INDEX** | 166 |

# BOARD *STATEMENT*

**Dear Valued Stakeholder,**

We are pleased to share Pavillon Holdings Ltd.'s sixth sustainability report, which provides a comprehensive overview of our environmental, social, and governance ("ESG") practices throughout the financial year ending 31st December 2023.

Our sustainability vision is to produce and supply high-quality products and services in a manner that minimises any adverse impact on the environment, while at the same time creating sustainable value for our stakeholders. To this end, we integrate our ESG initiatives into our strategy and operations to ensure that our commitment to sustainability remains steadfast, and we are pleased to present our progress throughout this report.

At our Group, providing a unique and exceptional dining experience to our customers is our top priority. We invest in our employees to equip them with the knowledge and skills needed to serve our customers better. Our commitment to customer satisfaction is reflected in the quality of our service and the attention to detail that we put into every aspect of our business.

Our mission is to maintain high standards of service and food quality across all our restaurants and kiosks, which form our portfolio of food and beverage ("F&B") brands. To achieve this mission, we rely on several fundamental pillars. These pillars serve as the foundation for our commitment to excellence in the F&B industry, including customer satisfaction, employee development, and food safety.

We take great pride in adopting best practices in the management of our food storage and preparation. Our highly trained staff adhere to strict guidelines to ensure that all food products meet our high standards of quality and safety. We have obtained ISO 22000 certification for our food safety management systems, which comply with international standards, ensuring that the food we serve is not only delicious but also of the highest quality.

We believe that providing an exceptional dining experience goes beyond just serving delicious food. It requires a deep understanding of our customers' needs, a passion for excellence, and a commitment to continuous improvement. By prioritizing these pillars, we can deliver unparalleled experiences to our customers at every touchpoint, from the moment they enter our establishments to the last bite of their meal.

Additionally, aligned with global focus on climate related risks, opportunities and its impact to businesses, the Group adopted the recommendations of Task Force on Climate Related Disclosures ("TCFD") for climate related disclosure. The Group is taking a phased approach by firstly understanding the overall climate related risks & opportunities, Scope 1 and 2 carbon emission. Moving forward, with the reinforced understanding of the carbon emission footprint in its value chain, the Group will evaluate its Scope 3 emission and further assess quantitative financial impacts and set and describe targets (where applicable) to manage climate related risks.

# BOARD *STATEMENT*

Our unwavering dedication to these commitments enables us to uphold our reputation for providing exceptional service and high-quality food products. We continuously strive to exceed our customers' expectations by innovating our processes, products, and services. With these pillars at the forefront of our operations, we are confident that we will continue to provide our customers with the best F&B experiences possible.

Thank you for your continued support and trust in our company. We look forward to serving you and sharing our progress in sustainability in the coming years.

Dr John Chen Seow Phun
Executive Chairman, Pavillon Holdings Ltd

# ABOUT THIS *REPORT*

**Reporting Boundary**

Our Sustainability Report delves into the Group's plans, actions, and accomplishments regarding ESG topics that we have determined to be most relevant to our business and stakeholders throughout our value chain. This is Pavillon's sixth sustainability report that describes the Group's sustainability strategies and approaches and provides detailed information about our sustainability performance for the financial year 1st January 2023 to 31st December 2023 ("FY2023"), with any relevant past performance data included for comparison.

**Reporting Period & Standard**

This report is prepared with reference to the Singapore Exchange Securities Trading Limited ("SGX-ST") Mainboard Listing Rule 711A and 711B and the Global Reporting Initiative ("GRI") Universal Standards 2021. We have selected this reporting standard as it is globally recognised for sustainability reporting due to its reporting principles.

Aligned with the Task Force on Climate-related Financial Disclosures ("TCFD") recommendations, we have incorporated climate-related risk and opportunity disclosure in FY2023.

This report covers operations located in Singapore and Tianjin China. There was no restatement made in the previous report except for Employment on page 14 and 15 due to a change in methodology in the current year.

**Independent Assurance**

The accuracy of this Report is ensured through the use of internal data monitoring and verification procedures and no external assurance has been obtained. As we make further progress in our sustainability journey, the possibility of obtaining external assurance for future reports will be considered.

**Feedback**

We place great importance on listening to our stakeholders. We sincerely value any feedback on our sustainability performance and this report, and we encourage you to contact us at general@pavillon.com.sg to share your thoughts.

As part of our commitment to minimise resource consumption in report production, we have opted not to produce physical copies of this report. Stakeholders are encouraged to access the electronic version of the report which can be found uploaded on to SGX-ST website (www.sgx.com/securities/company-announcements)

# ORGANISATIONAL *PROFILE*

Pavillon Holdings Ltd, formerly known as "Thai Village Holdings Pte Ltd", is a publicly listed investment holding company based in Singapore. The company was incorporated on 28 August 1999 and changed its name to "Thai Village Holdings Ltd" in January 2014 when it became a public company limited by shares.

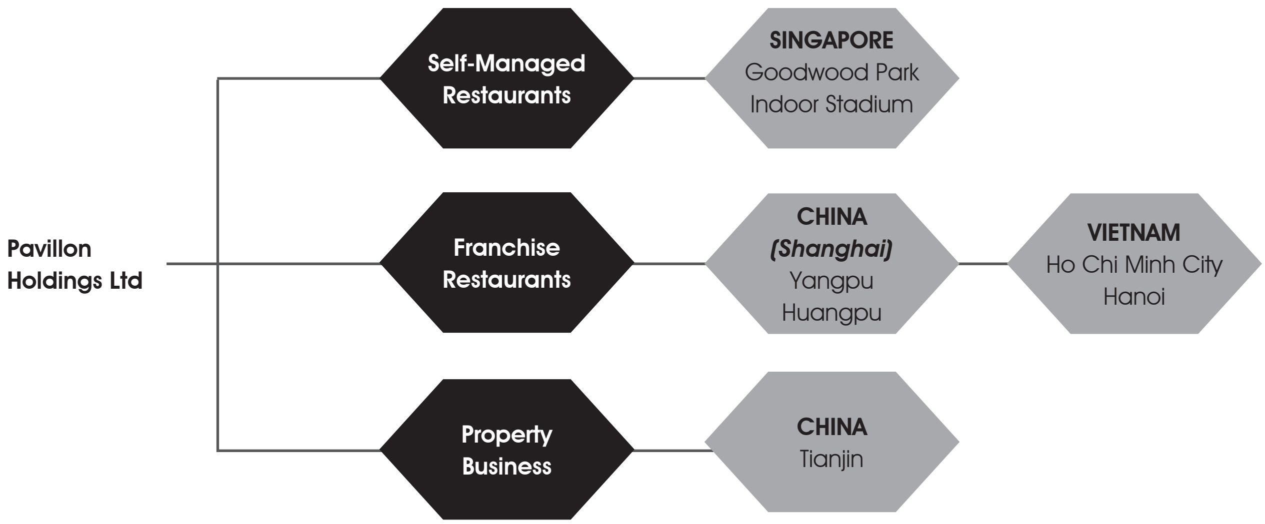
Pavillon Holdings Ltd started as a holding company for Thai Village Restaurant Pte Ltd and Thai Village Overseas Ventures Pte Ltd, which serve authentic Thai-Teochew cuisine. The Group has been in the food and beverage industry since 1991 and has also expanded its business into the China market.

In 2001, Pavillon Holdings Ltd introduced its franchise program, which has since expanded to various cities in China, Indonesia, and Vietnam. Over the years, the company has received numerous awards for its excellence in the food and beverage industry, including the Top 10 Restaurants Award, Most Popular Asian Food Restaurant Award, Golden Brand Award, and Singapore Superbrands Award.

As part of its strategy to diversify its business, Pavillon Holdings Ltd conducted a placement and capitalised on opportunities in commercial properties in Asia, including in the People's Republic of China. In 2014, the company changed its name to Pavillon Holdings Ltd and started trading under its new name on 30 January 2014.

To date, Pavillon Holdings Ltd owns a chain of 2 self-managed restaurants in Singapore and operates 4 overseas franchise restaurants in China and Vietnam that cater to the taste buds of sophisticated consumers in these countries. Additionally, the Group also operates a logistic hub in Tianjin, China. The Group will continue to explore opportunities to expand its business and diversify its portfolio while maintaining its commitment to providing authentic Thai-Teochew cuisine and exceptional dining experiences to its customers.

# CORPORATE *STRUCTURE*




As at 31 December 2023, Pavillon's Board of Directors consisted of the following members:

| | |
|---|---|
| **BOARD OF DIRECTOR** | |
| Dr John Chen Seow Phun | Executive Chairman |
| Francis Lee Fook Wah | Lead Independent Director |
| Kong Wei Li | Independent Director |
| Ding Furu | Non-Executive Non-Independent Director |
| Fan Bin | Executive Director |
| Bai Yun | Executive Director |

| | |
|---|---|
| **KEY EXECUTIVES** | |
| Maxtein Oh Kok Thai | General Manager – Restaurant Operations |
| Hau Ee Boon | Executive Chef |
| Loh Beng Kiat, Calvin | Financial Controller |

# SUSTANABILITY *GOVERNANCE*

Our Board of Directors leads our sustainability governance efforts, playing a critical role in incorporating sustainability into our business strategy and maintaining excellent corporate governance standards throughout the Group.

The Board receives support from various committees, including the Audit, Nominating, and Remuneration Committees, as well as our employees who work to achieve our sustainability objectives in our daily operations. The Board of Directors has also attended the sustainability training, as mandated by the enhanced SGX sustainability reporting rules.

The Board acknowledges that a high standard of corporate governance ensures the sustainability of the business and safeguards the interest of stakeholders. You may refer to our Corporate Governance Report in our FY2023 Annual Report for more details of our corporate governance practices.

Our Sustainability Governance Structure is set out as follows:

**The Board**
- Provides strategic direction for Pavillon's sustainability policies and identifies sustainability risks and opportunities in developing the Group's Sustainability Plan.
- Approve climate risks and opportunities and provide oversight on sustainability performance of the Group.

**Board Committees**
- Reviews the Group's strategies, policies, and financial performance, as well as the adequacy and efficiency of internal controls and risk management.
- Assists the board in carrying out its duties and supports the development of the Group's initiatives.

**Business Units**
- Executes sustainability-focused programs delegated from the Board Committees, throughout the entire Group.

# STAKEHOLDER *ENGAGEMENT*

Pavillon recognises that maintaining strong relationships with its stakeholders is essential for achieving sustained success and expansion. We believe that sustainability is not solely about minimising environmental harm but also involves nurturing and empowering our employees, customers, business partners, and local communities by treating them with dignity and providing them with growth opportunities. We have utilised a range of engagement methods to effectively communicate with our stakeholders promptly and comprehend their concerns and expectations. This is outlined in the table below.

| Stakeholders | Engagement Methods | Frequency of Engagement | Key Topics |
|---|---|---|---|
| Customers | • Customer visits or meetings<br>• Industry exhibitions<br>• VIP/loyalty program<br>• Customer feedback channels (e.g. service hotline, emails and social media platforms) | Ad-hoc | • Service and food quality improvements<br>• Food hygiene and safety |
| Employees | • Social events with employees, internal announcement, and emails<br>• Regular management meeting with staff<br>• Regular review with department heads<br>• Peer to peer review | On-going | • Staff welfare<br>• Workplace Health and Safety<br>• Training and career development opportunities |
| Suppliers | • Regular meetings with suppliers<br>• Key suppliers audit | Ad-hoc or on an as needed basis | • Supplier quality performance<br>• Sustainable Business Practices |
| Shareholders & Investors | • Half yearly and annual financial results announcement<br>• Annual and Sustainability report<br>• Annual General Meetings<br>• Regular meetings with investors | Half-yearly / Annually | • Compliance with applicable law and regulations<br>• Financial performance<br>• Company growth strategy |
| Government and Regulators | • Regular compliance update and submission<br>• Investor relations | Ad-hoc or on an as needed basis | • Compliance with applicable law and regulations |
| Communities | • Participation in community activities | Ad-hoc or on an as needed basis | • Environmental protection<br>• Community activities involvement<br>• Support to society organizations |

# MATERIALITY *ASSESSMENT*

As a Group, we understand the significance of identifying the most significant ESG risks and opportunities which can facilitate the development of a successful sustainability strategy. Pavillon conducted a materiality assessment in FY2021 to identify, prioritise, and validate ESG factors based on their impact on (a) key stakeholders' evaluations and decisions, and (b) the economy, environment, and society. After receiving feedback from both our internal and external stakeholders, we proceed to evaluate the level of influence and impact that each ESG topic has on them and our company.

Every year we reassess the selected material topics to ensure that they remain relevant to our business. This year, we have reviewed the three (3) ESG topics in the previous year Oand determined that they remain material to our business and our stakeholders and (1) additional ESG topics in FY2023.

| Material Topic | Our Commitment | Our Performance in | Our Targets | | |
|---|---|---|---|---|---|
| | | FY2023 | Short | Medium | Long |
| Economic Performance (GRI 201) | To create long-term value by using financial strategies to maximise shareholder value and generate positive returns. In doing so, we aim to address the needs of our stakeholders and contribute to the betterment of society. | Achieved<br>We have seen a 10.10% increase in the Group's revenue. | To achieve our revenue targets and create positive economic value for our shareholders. | To continue looking for opportunities for new business ventures. | To achieve consistent and sustainable financial growth while ensuring responsible business practices. |
| Employment (GRI 401) | Our priority is to retain our employees and create a work environment that prioritises their well- being and safety. | Achieved<br>Our new hires for FY23 had increased by 33%.. | To enhance our employee benefits and incentives while maintaining current staff level. | To expand our workforce and draw in more skilled individuals. | To minimise employee turnover and retain highly skilled personnel. |
| Energy (GRI 302) | Our goal is to reduce our environmental impact by implementing eco- friendly and energy- efficient practices throughout our workplaces. | Achieved<br>We have introduced energy-efficient cookware and appliances to supply energy to our facilities. | To conduct energy audits to identify opportunities for improvement and establish a baseline for future reporting. | To implement more effective energy management strategies | To promote an energy conservation program to foster positive energy-saving habits throughout our organization. |

# MATERIALITY *ASSESSMENT*

<table>
<tr><td>Water<br>(GRI 303)</td><td>Our goal is to use water responsibly at our restaurant outlet, recognizing the scarcity of water in Singapore</td><td>New GRI Disclosure in FY2023</td><td>To maintain its water consumption for FY2024</td><td colspan="2" rowspan="2">The Company will continue to monitor its water consumption data and waste generated data before determining a reasonable medium – long term target.</td></tr>
<tr><td>Waste<br>(GRI 306)</td><td>Our goal is to reduce waste generated by implementing waste management practices throughout our office and restaurants.</td><td>New GRI Disclosure in FY2023</td><td>To maintain or reduce its waste generated for FY2024</td></tr>
<tr><td>Customer Health and Safety<br>(GRI 416)</td><td>Our goal is to maintain zero food safety incidents.</td><td>New GRI Disclosure in FY2023</td><td>To maintain zero food safety incidents</td><td>To maintain zero food safety incidents</td><td>To maintain zero food safety incidents</td></tr>
<tr><td>Customer Privacy<br>(GRI 418)</td><td>Our goal is to maintain zero reported cases or complaints relating to breaches of customer privacy or loss of customer's personal data</td><td>New GRI Disclosure in FY2023</td><td>To maintain zero cases relating to breaches of customer privacy or loss of customer's personal data</td><td>To maintain zero cases relating to breaches of customer privacy or loss of customer's personal data</td><td>To maintain zero cases relating to breaches of customer privacy or loss of customer's personal data</td></tr>
</table>

# SUMMARY OF *OUR ESG PERFORMANCE*

| Material Topics and Indicators | Reporting Period | |
|---|---|---|
| | **FY2023** | **FY2022 (Restated)[6]** |
| **Environmental** | | |
| **Total carbon emission (tonnes $CO_2$ equivalent)[1]** | 382.4 | Note |
| Scope 1 emissions (t $CO_2$) | | |
| Stationary Combustion[2] | 2.11 | |
| Mobile fuel combustion[3] | 13.50 | |
| Fugitive emissions (refrigerants)[4] | 43.37 | |
| Scope 2 emissions (t $CO_2$) | | |
| Purchased electricity (location based)[5] | 323.42 | |
| GHG emission intensity (t $CO_2$ / SGD revenue '000) | 0.021 | |
| **Energy intensity (kWh / revenue per million SGD)** | 0.044 | 0.047 |
| **Water consumption (megalitres)** | 14.01 | Note |
| **Non-hazardous waste generated (Tons)** | 77.44 | |
| **Social** | | |
| **Employees** | | |
| • Male | 53 | 49 |
| • Female | 34 | 29 |
| • Full-time employees (number) | 81 | 73 |
| • Part-time employees (number) | 6 | 5 |
| • New hires (number) | 12 | 9 |
| **Total turnover (number)** | 18 | 4 |
| **Governance** | | |
| Confirmed incidents of corruption or bribery | - | - |
| Incidents of non-compliance with regulations | - | - |
| Major safety issue and negative feedback | - | - |

Notes:

*FY2023 is the first year that the group is evaluating and disclosing GHG Emissions of Scope 1 & 2, Water Consumption & Waste. Hence, there are no comparative numbers in FY2023.*

1 GHG emissions are derived in accordance with the requirements of the "GHG Protocol Corporate Accounting and Reporting Standard". The Global Warming Potential dataset is based on the 2014 IPCC Fifth Assessment Report.

2 Stationary Combustions are primary gas used consumed by Liquefied Petroleum Gas (LPG)

3 Mobile fuel combustions are primarily fuel used consumed by Motor Gasoline Passenger Cars.

4 Fugitive emissions are primarily emissions from the air-conditioning and refrigerators from Singapore.

5 Purchased electricity are location-based with data derived from the national grids of Singapore & China.

6 FY2022 has been restated due to change in reporting methodology of employees' headcount.

# GOVERNANCE
# *ECONOMIC PERFORMANCE*

**Why Is This Topic Important?**

Customer Relationships

Establishing and sustaining strong customer relationships is essential for our business to succeed. It is mutually beneficial for both the customers and the Group, as customers are more loyal and understanding when they have a positive relationship with the business, and employees can more effectively provide customer service that contributes to customer satisfaction. By prioritising customer retention, the business can safeguard its customer base and ensure long-term sustainability.

Strategic Partnerships

Strategic Partnerships have gained its importance for corporate growth strategies, prompting our company to allocate greater resources and efforts to their management. In the current interconnected global economy, characterized by readily available information, such alliances enable firms to pool their expertise and resources, share expenses, diversify their operations, and opportunities for enhanced sales and operational efficiencies.

**How Is This Topic Managed?**

Customer Retention Management

Our approach to customer retention management aims to ensure that our current customers remain satisfied and loyal to our business long after their first purchase. By doing so, we can increase returns from existing customers who tend to spend more due to their familiarity with our business and products. Moreover, this loyalty often translates to a willingness to try new products. Thus, we believe that retaining our existing customers is a more cost-effective strategy than acquiring new ones, and it will ultimately lead to better revenue.

Strategic Partnerships

We have streamlined our procurement operations and established reliable partnerships with efficient suppliers. Supplier selection is based on demonstrated performance and overseen by a dedicated committee. Regular monthly reports are provided to management regarding these initiatives.

Moreover, we have partnered with various delivery companies and shared platforms to ensure business continuity. This has led to the establishment of a reliable supply chain with our international partners, ensuring the continuous flow of goods and stock for our operations.

**Our Performance**

The Group recorded a 10% increase in revenue, from S$16.309 million in FY2023 to S$17,957 million in FY2023.

| **Economic Performance** | **FY2023** | **FY2022** |
|---|---|---|
| Economic Value Generated | 17,957,000 | 16,309,000 |
| Economic Value Distributed | 22,656,000 | 14,549,000 |
| **Economic Value Retained (EVG - EVD)** | | |
| Net Profit/(Loss) | (4,699,000) | 1,760,000 |

# GOVERNANCE
# *ECONOMIC PERFORMANCE*

For more information on Pavillon's FY2023 financial performance, please refer to pages 22 to 91 of the Annual Report.

**Our Target**

Our aim at Pavillon Holdings Ltd is to be a leading restaurant operator by providing inventive and practical solutions to our clients' diverse needs. To accomplish this, we regularly assess our operational effectiveness, seek out fresh business opportunities, and enhance our range of products and services.

Our commitment lies in attaining sustainable economic growth in the long term. We aspire to meet our revenue objectives while venturing into new markets, all while striving to create value for our shareholders, as well as our wider range of stakeholders such as customers, employees, suppliers, local communities, and the environment.

# GOVERNANCE
# *COMPLIANCE TO LAWS AND REGULATIONS*

**Why is this topic important?**

Pavillon operates within the framework of various laws and regulations, especially those relating to the food and beverage industry. These encompass a range of statutes, such as the Code of Corporate Governance 2018, the Singapore Food Agency Act 2019, and the Code of Practice on Environmental Health 2017, among others.

**How is this topic managed?**

Pavillon holds all the required licenses such as (i) food establishment license, (ii) liquor license and (iii) import license, among others to operate in the food and beverage industry.

We have enlisted certified service providers to handle tasks such as pest control, maintenance of grease traps and floor traps, cleaning of exhaust ducts, carpet cleaning, and air-conditioning servicing. This is to ensure full compliance with all applicable laws and regulations.

**Our Performance**

There were no reported cases of non-compliance or fines paid during the reporting period.

| **GRI 2-27 Compliance to Law & Regulations** | **FY2023** | **FY2022** |
|---|---|---|
| Total number of instances of non-compliance with laws and regulations | | |
| - Number of fines incurred | 0 | 0 |
| - Number of instances of non-monetary sanctions incurred | 0 | 0 |
| Total monetary value of fines paid for the reporting period | | |
| - Current reporting period | 0 | 0 |
| - Previous reporting period | 0 | 0 |

**FY2024 Target**

We aim to maintain zero cases of non-compliance and / or fines.

# SOCIAL
# *EMPLOYMENT*

**Why Is This Topic Important?**

We understand that our workforce is our most valuable asset and plays a vital role in ensuring our business' sustained success. Hence, we are committed to being a responsible employer and placing the well-being of our employees at the forefront. We firmly believe that a happy and healthy workforce translates into enhanced productivity.

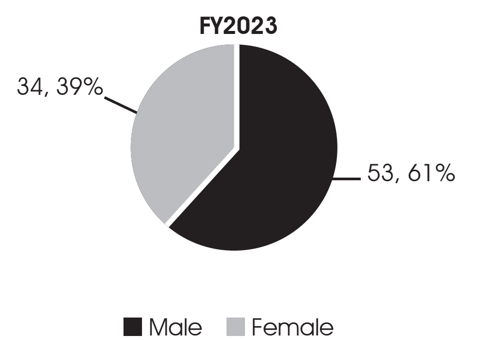
**How Is This Topic Managed?**

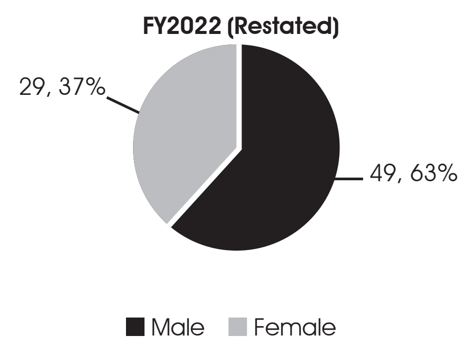
We embrace a holistic strategy for recruiting, motivating, compensating and retaining a diverse workforce, encompassing differences in gender, nationality, age, skills and qualification. We will continuously review and enhance our employee benefits to provide better incentives and support.

**Our Performance**

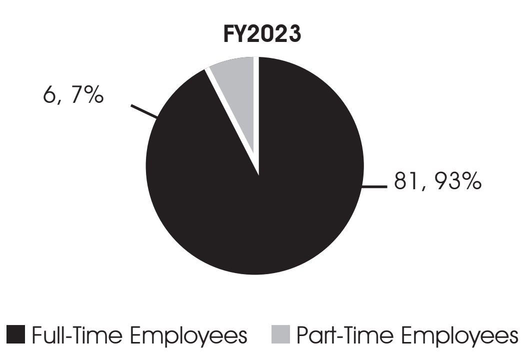
As of 31 December 2023, Pavillon's workforce comprised 87 employees (FY2022 (restated): 78 employees), with 73 employees based in Singapore and 14 employees located in Tianjin, China. The distribution of our employees based on their gender and type of employment contract is outlined below:

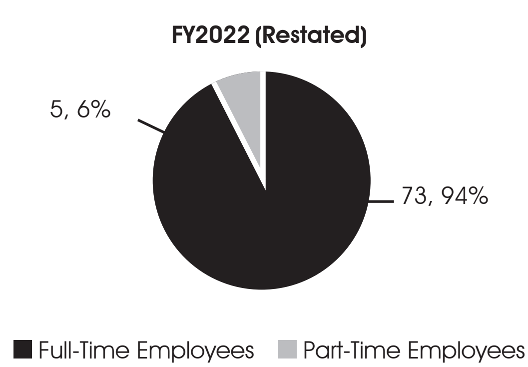
**Employees by Gender**




**Employees by Contract Type**



# SOCIAL
# *EMPLOYMENT*

| | Number of New Hire | | | | |
|---|---|---|---|---|---|
| | Gender | | Age Group | | |
| | Female | Male | < 30 | 30 – 50 | 50 > |
| FY2023 | 9 | 3 | 4 | 7 | 1 |
| FY2022 (Restated)[1] | 3 | 6 | 4 | 3 | 2 |

1 FY2022 has been restated due to a change in reporting methodology of employees' headcount.

| | Number of Resignees | | | | |
|---|---|---|---|---|---|
| | Gender | | Age Group | | |
| | Female | Male | < 30 | 30 – 50 | 50 > |
| FY2023 | 7 | 11 | 6 | 8 | 4 |
| FY2022 (Restated)[1] | 3 | 1 | 1 | 1 | 2 |

1 FY2022 has been restated due to a change in reporting methodology of employees' headcount.

**Our Target**

In FY2024, our target is to increase the number of new hires, retain skilled personnel and maintain zero reported cases of workplace discrimination.

# SOCIAL
# *CUSTOMER HEALTH AND SAFETY*

**Why Is This Topic Important?**

Customer health and safety is a top priority for Pavillon as it is critical to building trust and loyalty among customers.

**How Is This Topic Managed?**

Pavillon adheres to ISO 22000 certification standards for food safety and ensure rigorous measures are in place, such as:

- All of our food handlers and servers are required to wear face masks, gloves, and chef hats as needed. Daily grooming and hygiene checks are conducted to ensure compliance with these standards.
- All of our food handlers have completed a food hygiene course mandated by Singapore Food Agency.
- All food stocks received daily undergo thorough checks for freshness. Any items found not to be fresh are promptly rejected and returned to the vendors.
- Cold room temperatures are regularly monitored to ensure they are set at optimal levels, preventing food spoilage.
- Daily housekeeping is performed for all kitchenware, knives and cutting boards.
- Tablecloths are replaced for each new customer, and all tableware is sanitized after being washed.
- Toilets are washed, cleaned, and dried daily.

**Our Performance**

In FY2023, there were no reported food safety incidents.

# SOCIAL
# *CUSTOMER PRIVACY*

**Why Is This Topic Important?**

Safeguarding the personal data entrusted to Pavillon by our customers is important, and we aim to fully comply with the Personal Data Protection Act 2012 ("PDPA").

**How Is This Topic Managed?**

Pavillon collects customer personal data when they submit an online query or create an account for dining reservations or online purchases. The Company has established Personal Data Protection Policies & Procedures to govern the collection, storage, usage, processing, and disclosure of this information.

**Our Performance**

In FY2023, there were no reported cases or complaints regarding breaches of customer privacy or loss of customer's personal data.

# ENVIRONMENTAL
# *TASK FORCE ON CLIMATE RELATED FINANCIAL DISCLOSURE (TCFD)*

As a responsible business, we are committed to minimising our environmental impacts and carbon footprint. Our main environmental impacts arise from the use of electricity and gas. We make efforts to improve energy and resource efficiency to reduce the impact of our business operations on the environment.

To further strengthen the Group's awareness and understanding of climate change impact, the Group has in FY2023 adopted the recommendation of the Task Force on Climate-Related Financial Disclosures ("TCFD") in managing climate related risks and opportunities.

| **Governance** | **Risk Management** |
|---|---|
| • Climate risks and opportunities and associated metrics have been presented to the Board of Directors and evaluated in the Group's business and strategy as part of its overall oversight on sustainability topics of the Group.<br>• Climate risks and opportunities are managed by the Business Units on a day-to-day basis involving the development and execution of policies and processes to manage risks. | • Climate risks and opportunities will be integrated into the overall risks management process in the current financial year. The associated risks would be subsequently reviewed in accordance with the Group's risk parameters and action plans are identified to mitigate risks. |
| **Strategy** | **Metrics** |
| • In FY2023, the Group identified climate related risks and opportunities as part of its sustainability assessment process and a series of workshops have been conducted to identify the relevant physical and transition risks and their financial impact to the business from a short, medium and long-term perspective. | • In FY2023, Scope 1 and 2 greenhouse gas emissions have been assessed and identified across the business to further understand the Group's emissions. |

The Group is taking a phased approach by firstly understanding the overall climate related risks & opportunities, Scope 1 and 2 carbon emission. Moving forward, with the reinforced understanding of the carbon emission footprint in its value chain and the incoming IFRS S1 and S2 standards, the Group will evaluate its Scope 3 emission and further assess quantitative financial impacts and set and describe targets (where applicable) to manage climate related risks.

# ENVIRONMENTAL
# *CLIMATE RELATED RISKS*

The relevant physical and transition risks and associated financial impact are described below. As part of the climate risk assessment, the ratings are aligned with the Group's risk parameters and definition of risk ratings:

| Risks | Description | Financial Impact | Short Term (<1 Year) | Medium Term (1 – 3 Years) | Long Term (3> Years) |
|---|---|---|---|---|---|
| Physical (Chronic) | Long term shift in climate patterns. Such as the increase in weather temperature. This results in a rise of sea levels and heat waves. Example, extreme weather will have a negative impact on the workforce such as employee health, safety and absenteeism. This results in higher operation costs. | Increase in cost of operations | Low | Low | Low |
| Physical (Acute) | Increased in severity of extreme weather such as cyclone, hurricanes or floods. Example, extreme weather will potentially disrupt the food supply of their main ingredient, resulting in delays and increase ingredients costs. | Reduction in revenue | Low | Low | Medium |
| Transition (Policy and Legal) | Inability to adapt to changes in the government regulations which may lead to non-compliances and/or loss of revenue | Reduction in revenue | Low | Low | Low |
| Transition (Market) | Shift in customer's preference towards healthier, sustainable, or plant-based products | Reduction in revenue | Medium | Medium | Medium |
| Transition (Policy and Legal) | Tightening regulations on Greenhouse Gas Emission and environmental related reporting requirements | Increase in cost of operations | Low | Low | Low |
| Transition (Reputation) | Negative ESG News Appearance: Companies Failing to Meet Policy Regulations or Targets of International Climate Change, Food Waste Treatment Initiatives | Reduction in revenue | Low | Low | Low |

# ENVIRONMENTAL
# *CLIMATE RELATED OPPORTUNITY*

In addressing climate-related risks for FY2023, Pavillon identified and implemented the following opportunities to mitigate these risks.

| Location | Opportunity category | Initiatives undertaken by Pavillon |
|---|---|---|
| Singapore | Resource Efficiency | • Replace LED lights in both office and restaurant.<br>• Replace it with an energy efficient refrigerator.<br>• Using cloud based Human Resource (HR) to save papers.<br>• Embarkment of ISO 22000, stringline operations to save costs and reduce food wastage and improve food safety.<br>• Replace it with an energy efficient combination oven.<br>• Phase out physical VIP card and replace it with digital card.<br>• Phase out printing of promotion materials and replace with e-version. |
| China, Tianjin | Resource Efficiency | • All LED are used in reservoir areas and office buildings.<br>• All corridor lighting in the reservoir area has been replaced with human body sensor switches, which automatically turn off without any operation.<br>• The office air conditioning and power supply can be adjusted based on the park's operating hours. |

# ENVIRONMENTAL
# *GREEN HOUSE GAS ("GHG") EMISSIONS*

Our GRI 305 Emission was identified as the metrics used to assess climate related risks and opportunities. The operational control approach is used for consolidation of data based on Greenhouse Gas ("GHG") protocol.

**Our Performance**

The Company's Scope 1 and 2 $CO_2$ Emissions is detailed below:

| **GHG Emission** | **FY2023** |
|---|---|
| Total carbon emission (tonnes $CO_2$ equivalent)[1] | 382.4 |
| Scope 1 emissions (t $CO_2$) | |
| • Stationary combustion[2] | 2.11 |
| • Mobile fuel combustion[3] | 13.50 |
| • Fugitive emissions (refrigerants)[4] | 43.37 |
| Scope 2 emissions (t $CO_2$) | |
| • Purchased electricity (location based)[5] | 323.42 |
| GHG emission intensity (t $CO_2$ / SGD revenue '000) | 0.021 |

**Notes:**

*FY2023 is the first year that the group is evaluating and disclosing GHG Emissions of Scope 1 & 2, Water Consumption & Waste. Hence, there are no comparative numbers in FY2023.*

1 GHG emissions are derived in accordance with the requirements of the "GHG Protocol Corporate Accounting and Reporting Standard". The Global Warming Potential dataset is based on the 2014 IPCC Fifth Assessment Report.
2 Stationary Combustions are primary gas used consumed by Liquefied Petroleum Gas (LPG)
3 Mobile fuel combustions are primarily fuel used consumed by Motor Gasoline Passenger Cars.
4 Fugitive emissions are primarily emissions from the air-conditioning and refrigerators from Singapore.
5 Purchased electricity are location-based with data derived from the national grids of Singapore & China.

**Our Target**

FY2023 is the initial year that the Company has identified, collected and disclosed Scope 1 and 2 emission data. The Company will continue to monitor and develop a better understanding of its emission exposure before determining a reasonable target to reduce carbon emission where applicable.

# ENVIRONMENTAL
# *ENERGY*

**Why Is This Topic Important?**

Energy a priority for our Group as we are a significant consumer of energy for food preparation. Any disruption in energy will materially impact our food & beverage operations.

**How Is This Topic Managed?**

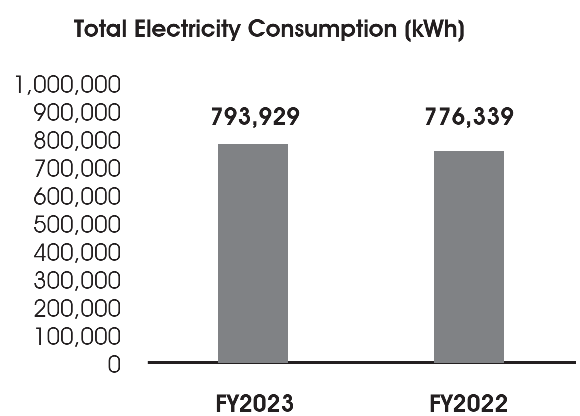
Our store layouts and designs focus on energy efficiency through measures such as LED lighting and natural ventilation, which not only reduce electricity consumption but also enhance the dining experience for our customers. We also conduct regular equipment maintenance to ensure optimal fuel combustion efficiency and performance.

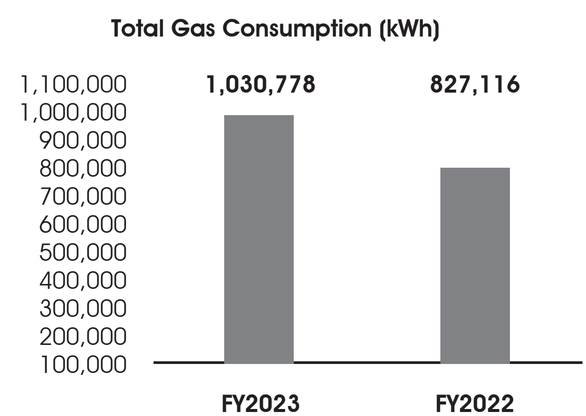
The Group's central kitchen is a significant consumer of fuel and energy for food preparation. However, to reduce this substantial consumption, we have introduced energy-efficient cookware and appliances to supply energy to the facilities wherever possible.

In Tianjin, a gas turbine operates at set times and temperatures each day, with automated features for self-regulation. A water system maintains turbine temperature, with winter and summer settings (40°C and 12°C respectively), automatically shutting down to conserve energy when temperature targets are met.

As a responsible business, we are always seeking ways to minimize our environmental impact and lower our emission intensity. By reducing our energy usage, we not only achieve these sustainability goals but also realize cost savings by reducing overheads and expenses during food production.

**Our Performance**



# ENVIRONMENTAL
# *ENERGY*

In FY2023 there was a 2.27% and 24.6% increase in electricity and gas consumption respectively when compared with FY2022. The increase is largely due to the increase in revenue and operational activities in the F&B sector as represented by the slight reduction in our energy intensity disclosed below.

| | FY2023 | FY2022 |
|---|---|---|
| Energy Intensity (kWh/Revenue) | 0.1 | 0.1 |

**Our Target**

In FY2024, our short-term target is to maintain our energy intensity, while evaluating our energy performance to establish medium to long term targets.

# ENVIRONMENTAL
# *WATER*

**Why is it important?**

We recognize that food businesses play an essential role in preserving water resources, as water is used daily due to our business nature. Water is utilized every day for washing, thawing, and preparing dishes at restaurant outlets, as well as for washing and cleaning the premises. Any disruption to water resources will impact our food & beverage operations.

**How is this topic managed?**

All our water withdrawal comes from Public Utilities Board ("PUB") and Pavillon conducts regular checks and maintenance on pipes and installations to prevent potential water leakages. The Group also monitors and reviews water consumption by conducting inspections regularly to ensure proper monitoring and management of water usage. Staff are encouraged to use water responsibly, such as operating the dishwasher only when the wash basin is filled with utensils for washing.

**Our Performance**

In FY2023, the Company consumed a total of 14.01 megalitres of water consumption. Our water consumption (megalitres) is detailed below:

| | **FY2023** |
|---|---|
| Water consumption (megalitres) | 14.01 |

**Our Target**

FY2023 is the initial year that the Company has identified and collected water consumption data. The Company will continue to monitor its water consumption data before determining a reasonable target.

# ENVIRONMENTAL *WASTE*

**Why is it important?**

The main waste generated during our daily operations primarily comprises organic food waste, encompassing kitchen & food leftovers, and trimming from food preparation across outlets and kitchen. Other type of waste Pavillon generated include packaging waste from our outlets and kitchen, and paper waste in our office.

**How is this topic managed?**

Pavillon implements procedures for receiving and storing raw materials to maintain their quality and minimize food spoilage. The staff kitchen monitors raw material quantities carefully to order only what is necessary, reducing unused food.

Our waiter and waitress staffs at outlets are trained to recommend dishes based on customer numbers and inform customers if they have ordered excessively. This would prevent food waste.

All waste generated on our premises is handed over to licensed waste contractors who handle and dispose of it using industry best practices. For our outlets at Singapore Indoor Stadium and Goodwood Park Hotel, we ensure that all waste is disposed in designated disposal areas and bins. These wastes are then managed by the management according to their waste management procedures.

In our office, waste such as paper is recycled to minimize waste generation. Efforts are also made to maximize the reuse of items and minimize the use of consumables, contributing to a reduction in waste generation.

**Our Performance**

| **Waste Generated (Tons)** | **FY2023** |
|---|---|
| Non-hazardous | 77.44 |

**Our Target**

FY2023 is the initial year that the Company has identified and collected waste generated data. The Company will continue to monitor its waste collected before determining a reasonable target.

# GRI CONTENT *INDEX*

| | |
|---|---|
| **Statement of use** | The Group has reported the information cited in this GRI content index for the period 1 January 2023 to 31 December 2023 with reference to the GRI Standards. |
| **GRI 1 Used** | GRI 1: Foundation 2021 |

| Category | Disclosure | Description | Page Reference |
|---|---|---|---|
| GRI 2: General Disclosures 2021 | 2-1 | Organisational details | Pages 144-145 |
| | 2-2 | Entities included in the organisation's sustainability reporting | Page 145 |
| | 2-3 | Reporting period, frequency and contact point | Page 143 |
| | 2-4 | Restatements of information | Page 143 |
| | 2-5 | External Assurance | Page 143 |
| | 2-6 | Activities, value chain and other business relationships | Pages 144-145 |
| | 2-7 | Employees | Pages 154-155 |
| | 2-9 | Governance structure and composition | Page 146 |
| | 2-10 | Nomination and selection of the highest governance body | Pages 99-111 |
| | 2-11 | Chair of the highest governance body | Pages 98-99 |
| | 2-12 | Role of the highest governance body in overseeing the management of impacts | Page 92 |
| | 2-13 | Delegation of responsibility for managing impacts | Page 93 |
| | 2-14 | Role of the highest governance body in sustainability reporting | Page 146 |
| | 2-15 | Conflicts of interest | Pages 92-93 |
| | 2-16 | Communication of critical concerns | Pages 120-122 |
| | 2-17 | Collective knowledge of the highest governance body | Page 93 |
| | 2-18 | Evaluation of the performance of the highest governance body | Pages 111-112 |
| | 2-19 | Remuneration policies | Pages 112-116 |
| | 2-20 | Process to determine remuneration | Pages 113-114 |
| | 2-21 | Annual total compensation ratio | Page 115 |
| | 2-22 | Statement on sustainable development strategy | Page 146 |
| | 2-23 | Policy commitments | Pages 146-149 |
| | 2-24 | Embedding policy commitments | Pages 146-149 |
| | 2-25 | Processes to remediate negative impacts | Page 143 |
| | 2-26 | Mechanisms for seeking advice and raising concerns | Page 143 |
| | 2-27 | Compliance with laws and regulations | Page 153 |
| | 2-28 | Membership associations | Not Applicable |
| | 2-29 | Approach to stakeholder engagement | Page 147 |
| | 2-30 | Collective bargaining agreements | Not Applicable |

# GRI CONTENT *INDEX*

| Category | Disclosure | Description | Page Reference and Remarks |
|---|---|---|---|
| GRI 3: Material Topics 2021 | 3-1 | Process to determine material topics | Pages 148-149 |
| | 3-2 | List of material topics | Pages 148-149 |
| | 3-3 | Management of Material Topics | Pages 151-165 |
| GRI 201: Economic Performance | 201-1 | Direct economic value generated and distributed | Pages 151-152 |
| | 201-4 | Financial assistance received from government | Pages 151-152 |
| GRI 302: Energy | 302-1 | Energy consumption within the organisation | Page 162 |
| | 302-4 | Energy intensity | Page 163 |
| GRI 305: Emissions | 305-1 | Direct (Scope 1) Emission | Page 161 |
| | 305-2 | Energy Indirect (Scope 2) GHG Emission | Page 161 |
| | 305-4 | GHG Emission Intensity | Page 161 |
| GRI 306: Waste 2020 | 306-2 | Waste by type and disposal method | Page 165 |
| GRI 401: Employment | 401-1 | New employee hires and employee turnover | Pages 154-155 |
| GRI 416: Customer Health & Safety | 416-2 | Incidents of non-compliance concerning the health and safety impacts of products and services | Page 156 |
| GRI 418: Customer Privacy | 418-1 | Substantiated complaints concerning breaches of customer privacy and losses of customer data | Page 157 |

This page has been left blank intentionally

**Pavillon Holdings Ltd.**
Company Registration No. 199905141N

Block 1002 Tai Seng Avenue
#01-2536, Singapore 534409
**Tel:** 65 64876182 • **Fax:** 65 64876183