

PAVILLON HOLDINGS LTD

Half-Year Results Financial Statement And Dividend Announcement

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

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

Financial statements for the 6 months ended 30 June 2018

	Group		
	S\$'000	S\$'000	%
	Jan 2018 - June 2018	Jan 2017 - June 2017	Increase/ (Decrease)
Revenue (Note 1)	7,412	8,053	-8.0%
Other items of income			
Interest income	68	50	36.0%
Other income	116	106	9.4%
Items of expenses			
Raw materials and changes in inventories	(2,459)	(2,474)	-0.6%
Salaries and Staff costs	(3,626)	(3,445)	5.3%
Depreciation expense	(258)	(279)	-7.5%
Finance expenses	(14)	(6)	133.3%
Currency exchange (loss)/gain	21	(55)	NM
Other operating expenses	(2,318)	(1,888)	22.8%
Total expenses	(8,654)	(8,147)	6.2%
Share of losses of associated companies	81	(674)	NM
Profit/(loss) before income tax (Note 2)	(977)	(612)	59.6%
Income tax expense (Note 3)	(127)	(37)	243.2%
Net Profit/(loss) (Note 4)	(1,104)	(649)	70.1%
Other comprehensive income			
Foreign currency translation gain	541	(654)	NM
Total comprehensive income/(Loss) for the period	(563)	(1,303)	-56.8%
Net profit/(loss) attributable to:			
Owners of the parent	(1,016)	(649)	56.5%
Non-controlling interests	(88)		
	(1,104)	(649)	70.1%
Total comprehensive income for the period			
Attributable to :			
Owners of the company	(334)	(1,303)	-74.4%
Non-controlling interests	(229)		
	(563)	(1,303)	-56.8%
Earnings per share attributable to owners of the Company	Cts	Cts	
Basic	(0.26)	(0.17)	
Diluted	(0.26)	(0.17)	

Note 1: Revenue and Profit Before Taxation

	Restaurant	Corporate and franchising	Leasing	Properties	Eliminations	Total
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
2018 Jan to Jun						
Revenue	6,570	688	817	815	(1,479)	7,411
Profit/(Loss) before taxation	306	(713)	287	(936)	81	(977)
2017 Jan to June						
Revenue	6,745	770	1,201	-	(664)	8,052
Profit/(Loss) before taxation	372	(851)	713	-	(844)	(612)

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

Gain on disposal of fixed assets
Depreciation of property, plant and equipment
Interest income
Impairment loss on associated company
Share of loss of associated company - Tianjin Binhai New Area Changjiang
Share of (Profit)/Loss of associated company - State Research Pavillon
Share of loss of associated company - Fengchi Technology Co., Ltd.,

Group		
S\$'000	S\$'000	%
Jan 2018 - June 2018	Jan 2017 - June 2017	Increase/ (Decrease)
-	(1)	NM
258	280	-7.9%
(68)	(50)	36.0%
-	172	NM
-	452	NM
(81)	85	NM
-	137	NM

Note 3: Taxation

Current period
Total

Group		
S\$'000	S\$'000	%
Jan 2018 - June 2018	Jan 2017 - June 2017	Increase/ (Decrease)
127	37	243.2%
127	37	243.2%

Note 4: Profit/(loss) after taxation

Restaurant operation
Leasing and financing operation
Franchising and corporate
Properties
Impairment loss on associated company
Share of gain/(loss) of associated companies
Total

Group		
S\$'000	S\$'000	%
Jan 2018 - June 2018	Jan 2017 - June 2017	Increase/ (Decrease)
199	300	-33.7%
267	747	-64.3%
(713)	(850)	-16.1%
(937)	-	NM
-	(172)	NM
81	(674)	NM
(1,104)	(649)	70.1%

NM: Not meaningful

1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

	Group		
	30-06-18	31-12-17	01-01-17
	S\$'000	S\$'000	S\$'000
ASSETS			
Current assets			
Cash and cash equivalents	6,420	12,112	11,325
Trade and other receivables	33,778	29,513	21,396
Inventories	983	1,508	1,173
	41,181	43,133	33,894
Assets held-for-sale	-	834	-
	41,181	43,967	33,894
Non-current assets			
Trade and other receivables	2,266	454	4,624
Investments in associated companies	3,910	3,829	5,670
Property, plant and equipment	1,775	1,562	1,676
Land-use rights	9,233	9,136	-
	17,184	14,981	11,970
TOTAL ASSETS	58,365	58,948	45,864
LIABILITIES			
Current liabilities			
Trade and other payables	7,716	3,660	5,072
Current income tax liabilities	183	645	206
Borrowings	599	4,090	-
Provisions	-	-	95
	8,498	8,395	5,373
Non-current liabilities			
Deferred tax liabilities	116	115	138
Trade and other payables	110	110	100
Provisions	198	180	90
	424	405	328
Total liabilities	8,922	8,800	5,701
NET ASSETS	49,443	50,148	40,163
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	39,433	39,433	39,433
Other reserves	2,738	2,197	(812)
(Accumulated losses)/Retained profits	(1,128)	(111)	1,542
	41,043	41,519	40,163
Non-controlling interests	8,400	8,629	-
TOTAL EQUITY	49,443	50,148	40,163

1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

	Company		
	30-06-18	31-12-17	01-01-17
	S\$'000	S\$'000	S\$'000
ASSETS			
Current assets			
Cash and cash equivalents	1,746	3,026	4,482
Trade and other receivables	2,473	2,155	2,380
	4,219	5,181	6,862
Assets held-for-sale	-	-	-
	4,219	5,181	6,862
Non-current assets			
Trade and other receivables	26	26	47
Investments in associated companies	3,829	3,829	4,319
Investments in subsidiary corporations	29,522	29,650	29,682
	33,377	33,505	34,049
TOTAL ASSETS	37,596	38,686	40,911
LIABILITIES			
Current liabilities			
Trade and other payables	410	791	566
Provisions	1	-	-
	411	791	566
Non-current liabilities			
Deferred tax liabilities	-	-	-
Trade and other payables	110	110	100
	110	110	100
Total liabilities	521	901	666
NET ASSETS	37,075	37,785	40,245
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	39,433	39,433	39,433
Other reserves	-	-	-
(Accumulated losses)/Retained profits	(2,358)	(1,648)	812
	37,075	37,785	40,245
Non-controlling interests	-	-	-
TOTAL EQUITY	37,075	37,785	40,245

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

As at 30/6/2018, the group has a net borrowing of S\$600K.

1(c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group	
	Jan 2018 - June 2018	Jan 2017 - June 2017
	S\$'000	S\$'000
Cash flows from operating activities :		
Profit/(loss) before taxation	(977)	(612)
Adjustments for :		
Depreciation of property, plant and equipment	258	280
Income tax expense	(127)	-
Impairment loss on investments in associated companies	-	172
Gain on disposal of property, plant and equipment	-	(1)
Interest income	(68)	(50)
Share of loss/(profit) of minority interest	88	674
Unrealised currency translation difference	321	(489)
Operating profit/loss before working capital changes	(505)	(26)
Cash flows from operating activities		
Inventories	525	(308)
Trade receivables and other receivables	(5,411)	901
Trade creditors and other payables	4,055	-
Cash flows from/(used in) operations	(1,336)	953
Income taxes paid	(462)	(171)
Net cash flows from/(used in) operating activities	(1,798)	782
Cash flows from investing activities		
Additions of property, plant and equipment	(471)	(82)
Proceed from disposal of fixed asset	-	1
Dilution of equity interest in a subsidiary corporation without loss of control	-	11,181
Interest received	68	63
Net cash provided/(used) by investing activities	(403)	11,100
Cash flows from financing activities		
(Placement)/Withdrawal of bank deposits	-	19
Net repayment of borrowings	(3,491)	-
Net cash provided/(used) by financing activities	(3,491)	19
Net increase/(decrease) in cash and cash equivalents	(5,692)	11,882
Beginning of the financial year	12,113	8,294
Effect of currency translation on cash and cash equivalents	-	(139)
Cash and cash equivalents at end of the financial year	6,421	20,037

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

	Attributable to owners of the Company							
		Foreign currency		(Accumulated		Non-controlling		
GROUP	Share capital	translation reserve	Capital reserve	losses)/Retained	Total	interests	Total equity	
2018	S\$'000	S\$'000	S\$'000	profits	S\$'000	S\$'000	S\$'000	
Balance as at 1 January 2018	39,433	(1,282)	3,478	(111)	41,518	8,629	50,147	
Loss for the period	-	-	-	(1,016)	(1,016)	(88)	(1,104)	
Other comprehensive income	-	-	-	-	-	-	-	
Foreign currency translation	-	400	-	-	400	-	400	
Total other comprehensive income for the period, net of tax	-	400	-	-	400	-	400	
Total comprehensive income for the period		400		(1,016)	(616)	(88)	(704)	
Changes in ownership interest in subsidiaries	-	-	-	-	-	-	-	
Acquisition of non-controlling interests (Note 1)	-	-	-	-	-	-	-	
Share of translation reserve of non-controlling interests		141			141	(141)	-	
Total contributions by and distributions to owners	-	141	-	-	141	(141)	-	
Balance as at 30 June 2018	39,433	(741)	3,478	(1,127)	41,043	8,400	49,443	
2017	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	
Balance as at 1 January 2017	39,433	(812)	-	1,542	40,163	-	40,163	
Loss for the period	-	-	-	(649)	(649)	-	(649)	
Other comprehensive income	-	-	-	-	-	-	-	
Foreign currency translation	-	(654)	-	-	(654)	-	(654)	
Total other comprehensive income for the period, net of tax	-	(654)	-	-	(654)	-	(654)	
Total comprehensive income for the period	-	(654)	-	(649)	(1,303)	-	(1,303)	
Changes in ownership interest in subsidiaries	-	-	-	-	-	-	-	
Acquisition of non-controlling interests (Note 1)	-	-	-	2,305	2,305	8,876	11,181	
Total contributions by and distributions to owners	-	-	-	2,305	2,305	8,876	11,181	
Balance as at 30 June 2017	39,433	(1,466)	-	3,198	41,165	8,876	50,041	

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

COMPANY

2018

Balance as at 1 January 2018

Profit for the period, representing total comprehensive income for the period

Balance as at 30 June 2018

Share capital S\$'000	Revenue reserve S\$'000	Total equity S\$'000
39,433	(1,746)	37,687
-	(612)	(612)
39,433	(2,358)	37,075

2017

Balance as at 1 January 2017

Profit for the period, representing total comprehensive income for the period

Balance as at 30 June 2017

S\$'000	S\$'000	S\$'000
39,433	812	40,245
-	(850)	(850)
39,433	(38)	39,395

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

Issued Share Capital

Balance as at beginning of the period

Balance as at end of the period

30-06-18	
No. of shares	Capital S\$
387,748,700	39,433,461
387,748,700	39,433,461

30-06-17	
No. of shares	Capital S\$
387,748,700	39,433,461
387,748,700	39,433,461

There is no outstanding convertible treasury shares and subsidiary holdings as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

	30-06-18	30-06-17
Balance as at beginning of the period	387,748,700	387,748,700
Balance as at end of the period	387,748,700	387,748,700

1(d)(iv) A statement showing all sales, transfers, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

	30-06-18	30-06-17
Balance as at beginning and end of the period	-	-

1 (d)(v) A statement showing all sales, transfers, cancellations and/or use of subsidiary holdings as at the end of the current financial period reported on.

Not applicable.

2. Whether the figures have been audited or reviewed, and in accordance with which auditing standard or practice.

The figures have neither been audited nor reviewed by our auditors.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter).

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

The Group and the Company have adopted the new financial reporting framework on 1 January 2018 and adopted the Singapore Financial Reporting Standard (International)("SFRS(I)") which are effective on 1 January 2018.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

Please refer to item 4 above.

6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends:-

	Group	
	Jan 2018 - June 2018	Jan 2017 - June 2017
Profit per ordinary share for the period after deducting any provision for preference dividends:-		
(i) Based on the weighted average number of ordinary shares on issue	-0.26 cts	-0.17 cts
(ii) On a fully diluted basis	-0.26 cts	-0.17 cts

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

Note to 6(i) and 6 (ii)

Basic and fully diluted earnings per share is calculated by dividing the Group's net loss attributable to equity holders of the Company amounting to S\$1.1m (30 June 2017: net loss S\$649K) by the weighted average number of ordinary shares in issue as at 30 June 2018 of 387,748,700 (2017: 387,748,700) shares.

7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares, excluding treasury shares of the issuer at the end of the (a) current financial period reported on; and (b) immediately preceding financial year.

	Group		Company	
	As at 30/06/2018	As at 31/12/2017	As at 30/06/2018	As at 31/12/2017
	Cts	Cts	Cts	Cts
Net asset value per ordinary share based on existing issued share capital as at the end of the financial year reported on.	10.58	10.58	9.56	9.74

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

Revenue

Total revenue of the Group decreased by approximately S\$660K as compared to the period ended 30/6/2017 mainly due to the following reasons :

- i) Revenue from Singapore restaurant operations decreased by approximately S\$300K as compared to 30/6/2017 due to closure of Jurong restaurant in April 2017.
- ii) Revenue from China operations decreased by approximately S\$384k due to a slower market for the first quarter in 2018.

Interest income

Interest income increased by approximately S\$18k due to more short term funds placed in bank from China leasing operations.

Other income

Other income increased by approximately S\$10k mainly due to government grant from Singapore operations.

Raw materials and changes in inventories

Inventories reduced by about S\$10K due to closure of Jurong outlet offset by new F & B outlet in Plaza Singapura and ION Orchard

Salaries and Staff costs

Salaries and Staff costs increased from S\$3.4m to S\$3.6m due to the following reasons:

Increase of labour cost of approximately S\$350k due to ramping up in China operations and new outlet payroll expenses in Plaza Singapura and ION orchard outlet of approximately S\$230k, offset by saving from closure of Jurong outlet of approximately S\$330K and saving of S\$70K from staff's benefit in kind.

Other operating expenses

Other operating expenses increased due to :

- i) China subsidiary companies taking over office rental from associate company, Chang Jiang (长江) company(which was disposed of last year) resulting in increment of S\$370K in rent, and
- ii) New F & B operation incurring S\$100K in rent expenses.

Share of results of associated companies

As compared to the corresponding period last year with a loss of around of S\$600K from an associate company, Chang Jiang (长江), the group recorded a profit from an associate company of 81K for this reporting period.

Income tax

As compared to the corresponding period last year, the group made tax provision for China financial leasing business.

Review of Financial Position as at 30 June 2018**Property, plant and equipment**

Increment of fixed assets net book value from S\$1.56m to S\$1.78m is due to the following reasons:

- i) Preliminary construction cost for the Tianjin logistics hub project of S\$400k, which is capitalized.
- ii) Purchase of new office equipment of S\$40k offset by 6 months depreciation of S\$250k

Inventories

Reduction in inventories holding is due to closure of Jurong outlet

Trade and other receivables - Current

Increment of receivable of over S\$4 million is mainly due to increased lending to trade debtors.

Trade and other receivables - Non Current

Increment of a new trade debtor of S\$1.76m from China operation which will be fully paid by 2019.

Liabilities**Trade and other payables**

Trade and other payable increased by S\$4 million as compared to 31/12/2017 due to :

- i) Increment of VAT payable from China operation of approximately S\$2.3m and
- ii) Financial leasing customers' deposit of S\$2.7 m offset by:
 - i) Reduction of S\$350K in accrual due to payment of staff bonus and professional fees at beginning of the year.
 - ii) Further more, there is also a reduction of trade payable of S\$600K

Borrowings

Repayment of short term loan of S\$4.9m in March 2018 and offset by a drawdown of a new bank loan of S\$600k as at June 2018.

Tax liability

Payment of 2017 China corporation tax of S\$460k by our subsidiary company resulting a reduction of current income tax liability for that company.

Review of Consolidated Cash Flows

Net cash used in operating activities is mainly due to the following :

- i) Increment of over S\$5.4m due to increase of trade debtors.
 - ii) reduction of trade payable of S\$600K
 - iii) reduction of S\$350K in accrual due to payment of staff bonus and professional fees at beginning of the year.
- offset by :
- i) Reduction in inventories holding cost of S\$525K due to closure of Jurong outlet
 - ii) Increment of VAT payable from China operation of approximately S\$2.3m
 - iii) Financial leasing customers' deposit of S\$2.7 m.

Net cash used in investing activities is mainly due to payment of preliminary construction cost for the Tianjin logistics hub project of S\$400k and purchase of office equipment of S\$40k

Net cash used in financing activities are due to repayment of loan amount S\$4.9m in March 2018 offset by a drawdown of a new bank loan of S\$600k as at 20 June 2018.

Cash and cash equivalent as at 30 June 2018 was S\$6.4m as compared to S\$20m as at June 2017.

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

Consistent with previous statements.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

The F&B industry in Singapore is expected to remain competitive and challenging. Management is working towards growing its financial leasing and logistic business in China, and seeking other business opportunities in the region.

11. Dividend

(a) Whether an interim dividend has been declared (recommended).

No dividend has been declared or proposed for the current financial period reported on.

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

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

Not applicable.

(d) The date the dividend is payable.

Not applicable.

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

Not applicable.

12. If no dividend has been declared (recommended), a statement to that effect.

No dividend has been declared or recommended.

13. If the Group has obtained a general mandate from shareholders for Interested Party Transaction ("IPT"), the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

The Company and the Group do not have any general mandate from shareholders pursuant to Rule 920.

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

The Board of Directors has confirmed that, to the best of their knowledge, nothing has come to their attention which may render the financial statements for the half year ended 30 June 2018 of the Group and the Company to be false or misleading in any material aspects.

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

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

BY ORDER OF THE BOARD

John Chen Seow Phun
Executive Chairman
10-Aug-2018