

RESPONSE TO QUERIES FROM SGX

The Board of Directors (the “Board”) of Pavillon Holdings Ltd. (the “Company”) wishes to announce the following in response to the queries raised by the Singapore Exchange Securities Trading Limited (“SGX”) in respect to the unaudited financial results for the full financial year ended 31 December 2023 (“FY2023 Financial Statements”) released on 21 February 2024.

SGX Query (1)

Please provide the following details to explain the significant change of S\$13.69 million in share of profit/(loss) of associated companies from a profit of S\$5.7 million in FY2022 to a loss of S\$7.99 million in FY2023:

- a) Please elaborate on the financial performance and financial position of Daju Logistics in FY2023 with details on the sources of revenue and a breakdown on the nature of costs to explain how the Company’s investment in this associated Company has been reduced from S\$766,000 to only S\$24,000 since the Company announced the incorporation of Daju Logistics on 13 April 2023.
- b) Please also elaborate on why the Company had incurred Rental Expenses of S\$1,303,000 for Daju Logistics and its rental expenses was not borne by Daju Logistics, an associated company which is also an interested person entity.
- c) Please disclose a detailed breakdown of the financial performance of Fengchi IOT, its revenue and operating expenses in FY2023. In the breakdown of its finance expenses, please disclose how much was due to the Company and the amount due to related parties or third parties. Please also disclose in the breakdown how much of these interest expenses were repaid to the respective creditors.
- d) Fengchi IOT recorded a substantial fair value loss on Investment Property of S\$11.4 million in FY2023 when it just recorded a fair value gain of S\$17.2 million in FY2022. Please disclose the valuation of Tianjin Logistics Hub at the end of FY2023 and FY2022, identity of the independent valuer(s), the substantive changes in assumptions which resulted in the fair value gain of S\$17.2 million in FY2022 and the subsequent fair value losses of S\$11.4 million in FY2023, the respective dates of valuation and the valuation methodology applied. Please also disclose the occupancy rates of the Tianjin Logistics Hub in FY2022 and FY2023 and the valuer’s robust justifications on the significant difference in valuation of Tianjin Logistics Hub in FY2023 compared to FY2022.

Company’s response

Reply to a)

The financial performance and financial position of Daju Logistics in FY2023 are as follows:

	SGD S\$'000	Share @49% S\$'000
Revenue	157	77
Other income	1	-
Other operating expenses	(1,655)	(811)
Loss	<u>(1,497)</u>	<u>(734)</u>

	2023
	S\$'000
Current	
Assets	984
Liabilities	(6)
Total net current assets	<u>978</u>
Non-current	
Liabilities	(930)
Total net non-current liabilities	<u>(930)</u>
Net assets	<u>48</u>
<i>Investments at equity accounting</i>	S\$'000
Beginning of financial year	-
Capital injection	766
Currency translation differences	(8)
Share of loss of associated company	(734)
End of financial year	<u>24</u>

Revenue

The source of revenue of Daju Logistics is solely sales of motor vehicles amounting to S\$157K.

Other operating expenses

The operating expenses included rental expenses and management service fees paid to Fengchi IOT Management Co., Ltd., and costs of purchasing motor vehicles from suppliers.

Reply to b) :

The company didn't incur the rental expenses for Daju Logistics. Daju Logistics has borne its own rental expenses of S\$1.3 million.

Reply to c) :

Please refer to the detailed breakdown of the financial performance of Fengchi IOT we have disclosed on Page 17 of our announcement on 21 Feb 2024 or the summary as follows:

	S\$'000	Share @49% S\$'000
Revenue	3,104	1,521
Other income	77	38
Finance expenses	(4,568)	(2,238)
Other operating expenses	(2,025)	(992)
	(3,412)	(1,672)
Fair value loss on Investment Property	(11,398)	(5,585)
Net loss	(14,810)	(7,257)
<u>Breakdown of Finance expenses:</u>		S\$'000
Interest expenses		4,567
Bank charges		1
		4,568
<u>Breakdown of interest expenses:</u>		S\$'000
Tianjin Pavillon Assets Management Co., Ltd		11
Shanghai New Development Enterprise Management Co.,Ltd.		135
Pavillon Holdings Ltd		1,894
Total for related parties		2,040 (a)
东奉集团有限公司		2,388
长江联合金融租赁有限公司		139
Total for Third parties		2,527 (b)
Total (a) + (b)		4,567
<u>Interest expenses paid in FY2023 :</u>		S\$'000
Interest expenses for FY2023 - Tianjin Pavillon Assets Management Co., Ltd		11
Interest expenses for FY2022 - Tianjin Pavillon Assets Management Co., Ltd		39
Interest expenses for FY2023 - 长江联合金融租赁有限公司		139
		189

Reply to d)

	FY2023	FY2022
Valuation of Tianjin Logistics Hub	RMB541 million	RMB 602 million
Date of valuation	31 December 2023	31 December 2022
Identity of the independent valuer	ROBERT KHAN & CO PTE LTD	ROBERT KHAN & CO PTE LTD
Valuation methodology	Income Approach	Income Approach
Average occupancy rates:		
- Car garage	42%	36%
- Office property	16%	15%
- Exhibition hall	16%	16%

Explanation on the fluctuation of fair value:

The fair value loss in FY2023 was due to the real estate investment market in China which had experienced a slowdown in 2023 as a result of economic uncertainty. Tianjin property Office and Warehouse sectors were significantly affected by an increase in vacancy rate and decrease of rental rate. Rental prices in the office market in Tianjin Binhai New Area, where our investment property is located, have declined by over 10%. This was primarily due to the lack of leasing demand from the manufacturing industry, which used to form the main tenants in the Tianjin Binhai New area. Therefore, in the valuation by the independent valuer, adjustments were made to the market rental value causing the overall valuation to reduce from RMB 602 million to RMB 540 million, a 10% decrease in line with the general market trend of Tianjin Binhai New Area.

By Order of the Board

Dr John Chen Seow Phun
Executive Chairman

1 March 2024