

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 2020

	Group		
	S\$'000	S\$'000	%
	Jan 2020 - June 2020	Jan 2019 - June 2019	Increase/ (Decrease)
Revenue (Note 1)	3,730	6,820	-45.3%
Other items of income			
Interest income	28	257	-89.1%
Other income	848	85	897.6%
Items of expenses			
Raw materials and changes in inventories	(1,351)	(2,368)	-42.9%
Employee compensation	(2,811)	(3,572)	-21.3%
Depreciation expense	(126)	(394)	-68.0%
Finance expenses	(37)	(6)	516.7%
Currency exchange (loss)/gain	54	(25)	NM
Other operating expenses	(1,549)	(2,863)	-45.9%
Total expenses	(5,820)	(9,226)	-36.9%
Share of loss of associated companies	(274)	-	NM
Loss before income tax (Note 2)	(1,488)	(2,064)	-27.9%
Income tax expense (Note 3)	(1)	(90)	-98.9%
Net Loss (Note 4)	(1,489)	(2,154)	-30.9%
Other comprehensive income			
Foreign currency translation gain/(loss)	219	(845)	NM
Total comprehensive (Loss) for the period	(1,270)	(2,999)	-57.7%
Net Loss attributable to:			
Owners of the parent	(1,394)	(1,731)	-19.5%
Non-controlling interests	(95)	(423)	
	(1,489)	(2,154)	-30.9%
Total comprehensive income for the period			
Attributable to :			
Owners of the company	(1,199)	(1,986)	-39.6%
Non-controlling interests	(71)	(1,014)	-93.0%
	(1,270)	(3,000)	-57.7%
Earnings per share attributable to owners of the Company	Cts	Cts	
Basic	(0.36)	(0.45)	
Diluted	(0.36)	(0.45)	

Note 1: Revenue and Profit Before Taxation

	Restaurant	Corporate and franchising	Leasing	Properties	Total
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
2020 Jan to Jun					
Revenue	3,610	76	-	44	3,730
Profit/(Loss) before taxation	(88)	(831)	(397)	(172)	(1,488)
2019 Jan to Jun					
Revenue	6,423	101	68	228	6,820
Profit/(Loss) before taxation	24	(575)	(698)	(815)	(2,064)

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

Depreciation of property, plant and equipment
Amortisation of Right of Use
Interest income
Currency exchange (loss)/gain
Gain on disposal of PPE

Group		
S\$'000	S\$'000	%
Jan 2020 - June 2020	Jan 2019 - June 2019	Increase/ (Decrease)
126	394	-68.0%
630	-	NM
(28)	(257)	-89.1%
54	(25)	-316.0%
236	-	NM

Note 3: Taxation

Current period
Total

Group		
S\$'000	S\$'000	%
Jan 2020 - June 2020	Jan 2019 - June 2019	Increase/ (Decrease)
1	90	-98.9%
1	90	-98.9%

Note 4: Loss After Taxation

	Restaurant	Corporate and franchising	Leasing	Properties	Total
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
2020 Jan to Jun					
Profit/(Loss) after taxation	(89)	(833)	(408)	(159)	(1,489)
2019 Jan to Jun					
Profit/(Loss) after taxation	(47)	(575)	(715)	(817)	(2,154)

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	
	30-06-20 S\$'000	30-06-19 S\$'000
ASSETS		
Current assets		
Cash and cash equivalents	8,353	32,309
Trade and other receivables	4,458	13,090
Inventories	1,105	857
	<u>13,916</u>	<u>46,256</u>
Non-current assets		
Trade and other receivables	611	218
Investments in associated companies	21,393	-
Property, plant and equipment	1,989	6,050
Right-of-use assets	1,401	-
Land-use rights	-	12,084
Financial assets at FVOCI	3,862	-
	<u>29,256</u>	<u>18,352</u>
TOTAL ASSETS	<u>43,172</u>	<u>64,608</u>
LIABILITIES		
Current liabilities		
Trade and other payables	3,530	24,085
Current income tax liabilities	-	392
Borrowings	695	-
Finance lease liabilities	624	39
Provisions	327	119
	<u>5,176</u>	<u>24,635</u>
Non-current liabilities		
Deferred tax liabilities	67	80
Trade and other payables	455	239
Borrowings	1,200	-
Finance lease liabilities	837	-
Provisions	198	99
	<u>2,757</u>	<u>418</u>
Total liabilities	<u>7,933</u>	<u>25,053</u>
NET ASSETS	<u>35,239</u>	<u>39,556</u>
EQUITY		
Capital and reserves attributable to equity holders of the Company		
Share capital	39,433	39,433
Other reserves	2,128	3,930
Accumulated losses	(12,365)	(12,956)
	<u>29,196</u>	<u>30,407</u>
Non-controlling interests	6,043	9,149
TOTAL EQUITY	<u>35,239</u>	<u>39,556</u>

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	
	30-06-20 S\$'000	30-06-19 S\$'000
ASSETS		
Current assets		
Cash and cash equivalents	-	1,741
Trade and other receivables	1,852	2,348
	1,852	4,089
Non-current assets		
Trade and other receivables	3	15
Investments in subsidiary corporations	27,558	27,678
Property, plant and equipment	4	-
	27,565	27,693
TOTAL ASSETS	29,417	31,782
LIABILITIES		
Current liabilities		
Trade and other payables	429	1,470
Borrowings	695	-
	1,124	1,470
Non-current liabilities		
Borrowings	1,200	-
Trade and other payables	100	80
	1,300	80
Total liabilities	2,424	1,550
NET ASSETS	26,993	30,232
EQUITY		
Capital and reserves attributable to equity holders of the Company		
Share capital	39,433	39,433
Accumulated losses	(12,440)	(9,201)
TOTAL EQUITY	26,993	30,232

1(b)(ii) Aggregate amount of group's

As at 30/6/2020, the group has a bank borrowing of S\$1,500,000 and a bank overdraft of S\$394k.

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 2020 - Jun 2020 S\$'000	Jan 2019 - Jun 2019 S\$'000
Cash flows from operating activities :		
Net loss	(1,490)	(2,154)
Adjustments for :		
Depreciation of property, plant and equipment	126	394
Income tax expense	1	90
Bank interest	6	-
HP Interest	8	-
Share of loss from associate company	274	-
Interest income	(28)	(257)
Gain in disposal of fixed assets	(236)	-
Right of Use	604	-
Unrealised currency translation difference	222	(847)
Operating profit/(loss) before working capital changes	(513)	(2,774)
Change in working capital		
Inventories	(105)	136
Trade and other receivables	102	(303)
Trade creditors	(62)	(66)
Other creditors and accruals	(359)	17,417
Provisions	200	-
Cash flows (used in)/generated from operations	(737)	14,410
Income taxes paid	-	(141)
Net cash flows (used in)/provided by operating activities	(737)	14,269
Cash flows from investing activities		
Additions of property, plant and equipment	(747)	(3,192)
Proceeds from disposal of fixed assets	236	-
Interest received	28	257
Net cash provided by/(used in) investing activities	(483)	(2,935)
Cash flows from financing activities		
Bridging loan	1,500	-
Bank interest for Bank overdraft	(6)	-
HP interest	(8)	-
HP repayment	(40)	-
Repayment of finance lease obligation	(568)	(7)
Net cash provided by/(used in) by financing activities	878	(7)
Net (decrease)/increase in cash and cash equivalents	(343)	11,327
Cash and cash equivalents at the beginning of the financial year	8,300	20,982
Cash and cash equivalents at end of the financial year	7,958	32,309
Breakdown		
Cash and Cash equivalents	8,353	32,309
Bank overdraft	(395)	-
	7,958	32,309

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.

GROUP	Attributable to owners of the Company						
	Share capital S\$'000	Foreign currency translation reserve S\$'000	Capital reserve S\$'000	(Accumulated losses)/Retained profits S\$'000	Total S\$'000	Non-controlling interests S\$'000	Total equity S\$'000
2020							
Balance as at 1 January 2020	39,433	(1,547)	3,478	(10,970)	30,395	6,114	36,507
Loss for the period				(1,395)	(1,395)	(94)	(1,489)
<u>Other comprehensive income</u>							
Other comprehensive (loss) for the financial year	-	196	-	-	196	23	219
Total other comprehensive income for the period, net of tax	-	196	-	-	196	23	219
Total comprehensive income for the period		196	-	(1,395)	(1,199)	(71)	(1,270)
Total contributions by and distributions to owners	-	-	-	-	-	-	-
Balance as at 30 Jun 2020	39,433	(1,351)	3,478	(12,365)	29,196	6,043	35,239
2019							
Balance as at 1 January 2019	39,433	(1,897)	6,081	(11,294)	32,323	10,233	42,556
Profit for the year	-	-	-	(1,732)	(1,659)	(423)	(2,153)
<u>Other comprehensive income</u>							
Foreign currency translation	-	(254)	-	-	(254)	(254)	(845)
Total other comprehensive income for the period, net of tax	-	(254)	-	-	(254)	(591)	(849)
Total comprehensive income for the period		(254)	-	(1,732)	(1,986)	(1,014)	(3,000)
Total contributions by and distributions to owners	-	-	-	-	-	-	-
Balance as at 30 June 2019	39,433	(2,151)	6,081	(13,026)	30,337	9,219	39,556

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	Share capital S\$'000	Accumulated losses S\$'000	Total equity S\$'000
2020			
Balance as at 1 January 2020	39,433	(11,735)	27,698
Loss for the period, representing total comprehensive loss for the period	-	(705)	(705)
Balance as at 30 Jun 2020	39,433	(12,440)	26,993
2019			
Balance as at 1 January 2019	39,433	(8,629)	30,804
Loss for the period, representing total comprehensive loss for the period	-	(572)	(572)
Balance as at 30 Jun 2019	39,433	(9,201)	30,232

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.

	30-06-20		30-06-19	
	No. of shares	Capital S\$	No. of shares	Capital S\$
Issued Share Capital				
Balance as at beginning of the period	387,748,700	39,433,461	387,748,700	39,433,461
Balance as at end of the period	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.

	30-06-20	30-06-19
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.

	30-06-20	30-06-19
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.

3A. Where the latest financial statements are subject to an adverse opinion. Qualified opinion or disclaimer of opinion:-

(i) Updates on the efforts taken to resolve each outstanding audit issue.

(ii) Confirmation from the Board that the impact of all outstanding audit issues on the financial statements have been adequately disclosed.

This is not require for any audit issue that is a material uncertainly relating to going concern.

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 applied the same accounting policies and methods of computation in the preparation of the financial statements for the current financial reporting period as compared to the audited financial statements for the financial year ended 31 December 2019.

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 2020 - Jun 2020	Jan 2019 - Jun 2019
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	-0.36 cts	-0.45 cts
(ii) On a fully diluted basis	-0.36 cts	-0.45 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\$1.39m (2019: net loss S\$1.7m) by the weighted average number of ordinary shares in issue as at 30 Jun 2020 of 387,748,700 (2019: 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 30/6/2020	As at 30/6/2019	As at 30/6/2020	As at 30/6/2019
	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.	7.53	7.84	6.96	7.80

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 by S\$3.1 million as compared to the period ended 30/6/2019 mainly due to the following reasons:

- i) Revenue from Singapore restaurant operations for the first 6 months of 2020 is S\$3.5m, a decrease of by approximately S\$2.68m as compared to 2019. This was mainly due to the COVID-19 outbreak and the various safe distancing measurements introduced by the Singapore government since January 2020. Furthermore, the Circuit Breaker which kicked in from early April 2020 further prohibited dining-in, which further reduced the company revenue. Though the self-pickup and home delivery has increased by S\$500k as compared to 2019, this increment could not compensate for the loss of revenue from the dine-in
- ii) Revenue from China operations decreased by approximately S\$260k due to Covid 19 outbreak.

Interest income

In 2019, more than 80% of interest income was fixed deposit income earned by Fengchi IOT Co Ltd which is no longer a subsidiary in 2020.

Other income

Other income increased by approximately S\$760k mainly due to support grants of S\$550k given by Singapore government to assist local companies during circuit breaker and gain of S\$236k in disposal of company's motor vehicles.

Raw materials and changes in inventories

Raw materials consumption reduced due to reduction of of Food and Beverages business in 2020.

Employee compensation

Employee compensation cost decreased by S\$760k mainly due to decreasing staff overheads in China leasing operations, cost saving measures taken by management to reduce Singapore manpower cost during circuit breaker and the fact that Fengchi IOT Co Ltd employee expenses is no longer included in 2020.

Depreciation expenses

Decrease in depreciation expenses was mainly due to Fengchi IOT Co Ltd depreciation expenses no longer being included in 2020.

Finance expenses

Finance expenses increased by S\$23K due to implementation of Singapore Financial Reporting Standard (I)16 - Leases Management, recognising interest on the lease liability plus Bank overdraft expenses of S\$6k.

Other operating expenses

Other operating expenses decreased by S\$1.3 million mainly due to the fact that Fengchi IOT Co Ltd is no longer a subsidiary in 2020 as well as a reduction in legal expenses.

Review of Financial Position as at 30 Jun 2020

Property, plant and equipment

Reduction of fixed assets net book value from S\$6m to S\$1.9m was mainly due to Fengchi IOT Co Ltd fixed assets was no longer included in the Group.

Inventories

Increase in inventories holding is due to reduced Food and Beverages business in 2020.

Cash and cash equivalents

Reduction of Cash and cash equivalents in 2020 was mainly due to Fengchi IOT Co Ltd cash and cash equivalents was no longer consolidated into the Group account.

Financial assets at FVOCI

Security for previous receivables received in Dec 2019 in the form of unquoted shares.

Liabilities

Trade and other payables - Current

Trade and other payable decreased by S\$20m as compared to 30/6/2019 mainly due to :

- i) Advance of S\$17m to Fengchi IOT Co Ltd from investor was taken into accounts in June 2019 but has been removed after Fengchi IOT is no longer a subsidiary.
- ii) Drawn down of bank overdraft facilities of S\$395K and bridging loan amounting to S\$300K payable within the next 12 months .

Liabilities

Trade and other payables - non-current

- i) Borrowing is part of the bridging loan amount which is due payable more than 12 months.

Review of Consolidated Cash Flows

Net cashflow from operating activities decreased due to unfavorable business operations caused by COVID-19 outbreak.

Net cashflow from financing activities mainly come from draw down of bridging loan and bank overdraft facilities.

Net cashflow used in investing activities is mainly due to replacement of company's motor vehicles in January 2020.

Cash and cash equivalent as at 30 Jun 2020 was S\$7.9 m as compared to S\$32m as at Jun 2019.

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.

Though the Group expects that operating environment remains challenging due to the COVID-19 pandemic, barring any unforeseen circumstances, and taking into the Company's cash flow status and various forms of support from the government, and also the implemented cost-cutting measures, the Company does not expect the impact of the COVID-19 to affect its ability to fulfill its near-term obligations and operate as a going concern.

11. Dividend

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

No dividends declared during the year.

- (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.

The company is not profitable and the capital are required for operational and development of business. Therefore the company will not be declaring any dividend.

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 period ended 30 June 2020 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).

16. Disclosure pursuant to Rule 706A of the listing Manual

During the first half of FY 2020 and as the date of this announcement, there were no changes to the Company and the Group shareholding percentage in its respective subsidiaries or associated companies nor incorporation of any news subsidiary or associate by the Company or any of the Group's entities.

BY ORDER OF THE BOARD
Lee Tong Soon
Managing Director
12-Aug-2020