

PAVILLON HOLDINGS LTD.

(Company Registration No. 199905141N)

(Incorporated in Singapore)

CLARIFICATION ON THE ANNOUNCEMENT OF TWELVE MONTHS ENDED 31 DECEMBER 2019

The Board of Directors (the “**Board**”) of Pavillon Holdings Limited (the “**Company**” or together with its subsidiary, the “**Group**”) refers to the result announcement made by the Company for the twelve months ended 31 December 2019 released to the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) on 26 February 2020 (Announcement Reference: SG200226OTHRHG0V).

The Board wishes to provide the additional information in response to the SGX-ST’s queries as follows: -

Query 1:

In Note 2, it was disclosed that the Group made a "reversal of impairment loss on receivables" of \$3.9million in FY2019.

- a. Please disclose who are these debtors;
- b. To disclose the reasons for the reversal;
- c. To disclose how much of this was \$3.9million was due to collection and the reasons why the impairment provision was made last year.

Company’s Response to Query 1:

- a) It is in relation to a trade debtor from the China subsidiary (Pavillon Financial Leasing Co., Ltd).
- b) The Group has received unquoted shares valued at \$3.9 million. The Group is satisfied with the valuation of unquoted shares that it is sufficient to substantially cover the amount due from the debtor. Consequently, the Group has reversed the impairment loss on the receivable.
- c) The total amount of \$4.1 million was due for collection in FY2018. However, the debtor has defaulted the payment, management has tried to negotiate for another repayment term with the debtor, but the debtor refused to commit a repayment schedule. In view of the increase in credit risk, the management provided the impairment provision of \$4.1 million in FY2018.

Query 2:

In Note 2, the Group also recorded “impairment loss on receivables” of \$5.3million.

- a. Please disclose what the impairment loss on receivables of \$5.3million refers to and the nature of the underlying items and transactions;
- b. Please disclose which segment of the Group's business these receivables formed part of and the reasons for the significant decrease in impairment loss of approximately \$6million in FY2019;
- c. To explain how was the basis for arriving at the impairment amount of \$5.3million;
- d. Is there any remaining amount owing by the debtor after the impairment of \$5.3million? If so, why is this balance remaining not impaired?

Company’s Response to Query 2:

- a) In FY2019, the impairment loss of \$5.3 million was provided for a trade debtor under leasing segment of the Group.

- b) In FY2018, the Group provided impairment loss amounted to \$11.8 million in total, for its trade receivables and other receivables amounted to \$4.8 million and \$7.0 million respectively. Hence, there is a significant decrease in impairment loss of approximately \$6 million in FY2019 as compared to FY2018.
- c) As the debtor is currently undergoing debts restructuring and the outcome of the debt restructuring is still uncertain. Management has assessed the realisable value of the assets seized by the court at approximately \$2.2 million. As the realisable value of the assets seized by the court is lower than the outstanding amount owing by the debtor of \$7.5 million. Hence, the Group has provided impairment loss of \$5.3 million.
- d) As at 31 December 2019, the remaining amount owing by the debtor after the impairment is \$2.2 million. Refer to Company's Response to Query 2(c) for the reason of the remaining balance not impaired.

Query 3:

In para 8, the Company explained that Other income increased by approximately \$10.4million mainly due to valuation gain of \$6.3million from "deemed disposal of subsidiary". To disclose and explain why the Company has used the term "deemed disposal" of Fengchi IOT Co Ltd.

Company's Response to Query 3:

In accordance with SFRS(I) 10 (B98) "*Business Combinations*", if a parent loses control of a subsidiary corporation, it shall derecognise:

- (i) the assets (including any goodwill) and liabilities of the subsidiary corporation at their carrying amounts at the date when control is lost; and
- (ii) The carrying amount of any non-controlling interests in the former subsidiary corporation at the date when control is lost (including any components of other comprehensive income attributable to them); and recognise any investment retained in the former subsidiary corporation at its fair value at the date when control is lost.

The phase "Deemed disposal" is used as the Group did not dispose of its equity interest in Fengchi IOT Co Ltd, but its equity interest in Fengchi IOT Co Ltd has been diluted to 37.23% and became an associated company of the Group due to capital injection by an unrelated party.

Query 4:

In para 8, it was disclosed that "operating expenses decreased by \$6million mainly due to reduction of impairment loss of \$6.4million".

- a. What does the "reduction of impairment loss of \$6.4million refer to and for which transaction and what impaired item?
- b. To explain how the reduction of the impairment was determined and what is the basis of arriving at \$6.4million;
- c. To disclose what is the current carrying value of the asset after the reversal and how was the fair value determined.

Company's Response to Query 4:

- a) Refer to Company's Response to Query 2(b).
- b) Refer to Company's Response to Query 2(b).
- c) Refer to Company's Response to Query 2(c), (d).

Query 5:

Please confirm that the Company has complied with Listing Rule 706A read with Listing Rule 704(18).

Company's Response to Query 5:

The Company has complied with Listing Rule 704 (18) and 706A.

Query 6:

At para 12, the Company explained that no dividend was announced as "capital is required for operations needs and development of new business."

- a. Please elaborate on the development of new business the Company is referring to and under which business segment does this new business fall under;
- b. To elaborate on what are Management's plans for the Company in view of the challenging F&B conditions.

Company's Response to Query 6:

- a) The Group is exploring new F&B businesses which is currently at a preliminary stage. Therefore, the Group is not declaring any dividend as capital is also required to sustain current operations.
- b) The management continue to look for new concept locally and in overseas to overcome the challenging F&B conditions.

BY ORDER OF THE BOARD

Lee Tong Soon
Managing Director

12 March 2020