

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 2017

	Group		
	S\$'000	S\$'000	%
	Jan 2017 - June 2017	Jan 2016 - June 2016	Increase/ (Decrease)
Revenue (Note 1)	8,053	7,721	4
Other items of income			
Interest income	50	236	(79)
Other income	106	1,637	(94)
Items of expenses			
Raw materials and changes in stocks	(2,474)	(2,695)	(8)
Personnel costs	(3,445)	(3,587)	(4)
Depreciation expense	(279)	(362)	(23)
Net foreign exchange (loss)/gain	(55)	(71)	(23)
Finance costs	(6)	(2)	>100
Other expenses	(1,888)	(1,865)	1
Share of losses of associated companies	(674)	(65)	>100
Profit/(loss) before taxation (Note 2)	(612)	947	NM
Income tax expense (Note 3)	(37)	(65)	(43)
Profit/(loss) after taxation (Note 4)	(649)	882	NM
Other comprehensive income			
Foreign currency translation loss	(654)	(1,588)	(59)
Total comprehensive income for the period attributable to owners of the Company	(1,303)	(706)	85
Earnings per share attributable to owners of the Company	Cts	Cts	
Basic	(0.17)	0.23	NM
Diluted	(0.17)	0.23	NM

Note 1: Revenue

	Group		
	S\$'000	S\$'000	%
	Jan 2017 - June 2017	Jan 2016 - June 2016	Increase/ (Decrease)
Restaurant operation	6,643	7,228	(8)
Leasing and financing operation	1,201	395	>100
Franchising and corporate	209	98	>100
Total	8,053	7,721	4

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

	Group		
	S\$'000	S\$'000	%
	Jan 2017 - June 2017	Jan 2016 - June 2016	Increase/ (Decrease)
Gain on disposal of fixed assets	(1)	-	NM
Gain on disposal of subsidiary companies	-	(1,482)	(100)
Interest income	(50)	(236)	(79)
Impairment loss on associated company	172	-	NM
Share of loss of associated company - Tianjin Binhai New Area Changjiang Cultural Assets Trading Centre Co., Ltd., ("Changjiang")	452	-	NM
Share of loss of associated company - State Research Pavillon Financial Leasing Co., Ltd., ("SRPFL")	85	65	31
Share of loss of associated company - Fengchi Technology Co., Ltd., ("Fengchi")	137	-	NM

Note 3: Taxation

	Group		
	S\$'000	S\$'000	%
	Jan 2017 - June 2017	Jan 2016 - June 2016	Increase/ (Decrease)
Current period	37	61	(39)
Under provision in respect of prior years	-	4	(100)
Total	37	65	(43)

Note 4: Profit/(loss) after taxation

	Group		
	S\$'000	S\$'000	%
	Jan 2017 - June 2017	Jan 2016 - June 2016	Increase/ (Decrease)
Restaurant operation	300	108	>100
Leasing and financing operation	747	73	>100
Franchising and corporate	(850)	766	NM
Impairment loss on associated company	(172)	-	NM
Share of losses of associated companies	(674)	(65)	>100
Total	(649)	882	NM

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		Company	
	30/6/2017	31/12/2016	30/6/2017	31/12/2016
	S\$'000	S\$'000	S\$'000	S\$'000
ASSETS				
Non-current assets				
Property, plant and equipment	1,473	1,676	1	1
Investment in subsidiary companies	-	-	29,682	29,682
Investment in associated companies	7,854	5,670	4,319	4,319
Trade receivables	4,079	4,393	-	-
Deposits	397	166	-	-
Other receivables	48	65	34	47
	13,851	11,970	34,036	34,049

	Group		Company	
	30/6/2017	31/12/2016	30/6/2017	31/12/2016
	S\$'000	S\$'000	S\$'000	S\$'000
Current assets				
Inventories	1,481	1,173	-	-
Trade receivables	18,832	20,431	27	50
Other receivables	1,638	548	68	93
Deposits and prepaid operating expenses	112	417	20	42
Amounts due from subsidiary companies (trade)	-	-	443	97
Amounts due from subsidiary companies (non-trade)	-	-	2,045	2,098
Fixed deposits	3,012	3,031	3,012	3,031
Cash and bank balances	20,119	8,294	218	1,451
Total current assets	45,194	33,894	5,833	6,862
Total assets	59,045	45,864	39,869	40,911
EQUITY AND LIABILITIES				
Current liabilities				
Trade payables	819	996	-	-
Other payables and accruals	7,695	4,076	374	566
Provisions	-	95	-	-
Income tax payable	72	206	-	-
Total current liabilities	8,586	5,373	374	566
Net current assets	36,608	28,521	5,459	6,296
Non-current liabilities				
Provisions	180	90	-	-
Franchise deposits	100	100	100	100
Deferred tax liabilities	138	138	-	-
Total non-current liabilities	418	328	100	100
Total liabilities	9,004	5,701	474	666
Net assets	50,041	40,163	39,395	40,245
Equity attributable to owners of the Company				
Share capital	39,433	39,433	39,433	39,433
Foreign currency translation reserve	(1,466)	(812)	-	-
Revenue reserve	3,198	1,542	(38)	812
	41,165	40,163	39,395	40,245
Non-controlling interests	8,876	-	-	-
Total Equity	50,041	40,163	39,395	40,245
Total Equity and Liabilities	59,045	45,864	39,869	40,911

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

None

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 2017 - June 2017	Jan 2016 - June 2016
	S\$'000	S\$'000
Cash flows from operating activities :		
Profit/(loss) before taxation	(612)	947
Adjustments for :		
Gain on disposal of subsidiary companies	-	(1,482)
Gain on disposal of fixed assets	(1)	-
Depreciation of property, plant and equipment	280	362
Impairment loss on associated company	172	-
Interest income	(50)	(236)
Share of losses of associated	674	65
Foreign currency translation (loss)/gain	(489)	(1,449)
Operating cash flows before changes in working capital	(26)	(1,793)
<u>Changes in working capital</u>		
Inventories	(308)	219
Trade receivables	1,913	(1,736)
Other receivables, deposits and prepaid operating expenses	(1,012)	(143)
Trade payables	(178)	(453)
Other payables and accruals	564	(208)
Cash flows from/(used in) operations	953	(4,114)
Interest received	63	239
Income taxes paid	(171)	(51)
Net cash flows from/(used in) operating activities	845	(3,926)
Cash flows from investing activities		
Purchase of property, plant and equipment	(82)	(14)
Proceeds from disposal of subsidiary companies	-	1,800
Proceeds from disposal of fixed assets	1	-
Withdrawal of fixed deposits	19	4,422
Investment in joint venture companies	-	(6,364)
Net cash flows used in investing activities	(62)	(156)
Cash flows from financing activities		
Investment by non-controlling interest	11,181	-
Net cash flows from financing activities	11,181	-
Net increase/(decrease) in cash and cash equivalents	11,964	(4,082)
Cash and cash equivalents at beginning of the period	8,294	8,852
Effect of exchange rate changes on cash and cash equivalents	(139)	(120)
Cash and cash equivalents at end of the period	20,119	4,650

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							
GROUP	Share capital	Revenue reserve	Foreign currency translation reserve	Reserve of disposal group classified as held for sale	Total equity attributable to owners of the Company	Non-controlling interests	Total equity
2017	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Balance as at 1 January 2017	39,433	1,542	(812)	-	40,163	-	40,163
Loss for the period	-	(649)	-	-	(649)	-	(649)
<u>Other comprehensive income</u>							
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	-	(649)	(654)	-	(1,303)	-	(1,303)
<u>Changes in ownership interest in subsidiaries</u>							
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	3,198	(1,466)	-	41,165	8,876	50,041
2016							
Balance as at 1 January 2016	39,433	135	279	487	40,334	42	40,376
Profit for the period	-	882	-	-	882	-	882
<u>Other comprehensive income</u>							
Foreign currency translation	-	-	(1,588)	-	(1,588)	-	(1,588)
Total other comprehensive income for the period, net of tax	-	-	(1,588)	-	(1,588)	-	(1,588)
Total comprehensive income for the period	-	882	(1,588)	-	(706)	-	(706)
<u>Changes in ownership interest in subsidiaries</u>							
Disposal of subsidiaries	-	529	-	(487)	42	(42)	-
Total contributions by and distributions to owners	-	529	-	(487)	42	(42)	-
Balance as at 30 June 2016	39,433	1,546	(1,309)	-	39,670	-	39,670

COMPANY	Share capital	Revenue reserve	Total equity
2017	S\$'000	S\$'000	S\$'000
Balance as at 1 January 2017	39,433	812	40,245
Profit for the period, representing total comprehensive income for the period	-	(850)	(850)
Balance as at 30 June 2017	39,433	(38)	39,395

2016	S\$'000	S\$'000	S\$'000
Balance as at 1 January 2016	39,433	1,345	40,778
Profit for the period, representing total comprehensive income for the period	-	169	169
Balance as at 30 June 2016	39,433	1,514	40,947

Note: 1

Acquisition of non-controlling interests refers to the acquisition of share capital of Pavillon Financial Leasing Co., Ltd by Walum Holdings Group Co., Ltd.

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.

	30/6/2017		30/6/2016	
Issued Share Capital	No. of shares	Capital S\$	No. of shares	Capital S\$
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.

	30/6/2017	30/6/2016
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.

	30/6/2017	30/6/2016
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 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 as at 31 December 2016, except that the Group has adopted new Financial Reporting Standards (FRS) which became effective for periods beginning on or after 1 January 2017.

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 2017 - June 2017	Jan 2016 - June 2016
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	-0.17 cts	0.23 cts
(ii) On a fully diluted basis (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)	-0.17 cts	0.23 cts

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\$649k (2016: net profit S\$882k) by the weighted average number of ordinary shares in issue as at 30 June 2017 of 387,748,700 (2016: 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 30/6/2017	As at 31/12/2016	As at 30/6/2017	As at 31/12/2016
Net asset value per ordinary share	10.62 cts	10.36 cts	10.16 cts	10.38 cts

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.

Turnover and earnings

Total revenue of the Group increased by approximately S\$0.3m mainly due to increase in leasing revenue of approximately S\$0.8m and increase in franchise revenue of approximately S\$0.1m, being partially offset by decrease in restaurant sales of approximately S\$0.6m as a result of closure of the Jurong restaurant in April 2017. Interest income decreased by approximately S\$0.2m due to withdrawal of fixed deposits for leasing operations. Other income decreased by approximately S\$1.5m mainly due to a one-off gain on disposal of subsidiaries in the previous year. Loss after taxation for the financial period under review was S\$0.6m as compared to a profit after taxation (PAT) of S\$0.9m in the corresponding period mainly due to last year's gain on disposal of subsidiaries of approximately S\$1.5m.

Group's operating expenses

Raw materials, personnel costs and depreciation expenses decreased slightly mainly due to closure of the Jurong restaurant. Share of results of associated companies increased by approximately S\$0.6m mainly due to share of **Changjiang** losses of approximately S\$0.5m as a result of cessation of online cultural assets trading platform. The cessation was due to change in the PRC government policy on online trading platforms.

Singapore

Revenue from Singapore restaurant operations decreased by approximately S\$0.6m as compared to the previous period mainly due to closure of Jurong restaurant during the financial period under review.

Revenue from franchise operations increased by approximately S\$0.1m as compared to the previous period mainly due to increase in sales to franchisee.

People's Republic of China ("PRC")

Revenue from the PRC increased by approximately S\$0.8m mainly due to increase in revenue from financial leasing business.

Franchise operations

Franchise income for the period increased by approximately S\$0.1m mainly due to increase in raw material sales to franchisees. The Group now has two franchise outlets in Vietnam, one in Cambodia and two in Shanghai, PRC .

Balance sheet

Property, plant and equipment decreased by approximately S\$0.2m mainly due to depreciation charges for the period under review. Investment in associates increased by approximately S\$2.2m mainly due to investment in **Fengchi** of approximately S\$3.1m being offset by share of associated company losses of approximately S\$0.7m and impairment loss on an associated company of approximately S\$0.2m. Inventories increased by approximately S\$0.3m mainly due to timing of purchases. Trade receivables (non-current and current) decreased by approximately S\$1.9m mainly due to timing of repayment by financial leasing lessees. Other receivables increased by approximately S\$1.1m mainly due to increase in VAT receivables of leasing operations. Increase in cash and bank balances of S\$11.8m was mainly due to cash injection by non-controlling interest and decrease in trade receivables. Other payables increased by approximately S\$3.6m mainly due to committed investment to be remitted to **Fengchi** of approximately S\$3.0m.

Foreign currency translation loss increased by approximately S\$0.7m mainly due to weakening of the RMB against SGD.

Group's cash flows

Net cash flows from operating activities in the financial period under review was S\$0.8m, mainly due to decrease in trade receivables.

Net cash flows used in investing activities in the financial period under review was S\$0.1m, mainly due to purchase of furniture and equipment.

Net cash flows from financing activities in the financial period under review was S\$11.2m, mainly due to share capital injection by non-controlling interest.

Cash and cash equivalent as at 30 June 2017 was S\$20.1m.

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

The actual results are in line with the general prospect commentary previously disclosed in the full year results announcement for the financial year ended 31 December 2016 except for **Changjiang** which has ceased its online trading of cultural assets business. The actual loss after tax is approximately S\$0.6m, which differs slightly from the Company's preliminary assessment as announced in its profit warning announcement released on 1 August 2017.

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 property business and developing other businesses 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 2017 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
14-Aug-17