

PAVILLON HOLDINGS LTD.

(Company Registration No.199905141N)
(Incorporated in the Republic of Singapore)

RESPONSE TO QUESTIONS RECEIVED FROM (1) SHAREHOLDERS AND (2) SECURITIES INVESTORS ASSOCIATION (SINGAPORE) PRIOR TO THE ANNUAL GENERAL MEETING TO BE HELD AT 5 STADIUM WALK, #02-01 LEISURE PARK KALLANG, SINGAPORE 397693 ON THURSDAY, 23 APRIL 2026 AT 3.00 P.M.

The Board of Directors of Pavillon Holdings Ltd. (the “**Company**” or together with its subsidiaries, the “**Group**”), refers to the questions raised by shareholders and Securities Investors Association (Singapore) (“**SIAS**”) prior to the Annual General Meeting scheduled to be held on 23 April 2026 at 3.00 p.m..

The Company’s response to the relevant and substantial questions submitted by shareholders and SIAS before 15 April 2026 are set out below:

RESPONSE TO QUESTIONS RAISED BY SHAREHOLDERS**QUESTION 1**

With regards to falling share price over ten years, what is the business planning to do going forward. Please note that STI index has rose from 3,100 from January 2024 to almost 5,000 today. Market condition is much better now but management has not taken any steps to drive share price up. What is the company going to do with the investment asset in Tianjin that has been driving the company through many losses. Is the company considering paring down all the unhealthy losses over the years. Management has not been doing well all these times. Do the business owners plan to take more concrete steps to instil shareholder confidence such as making share purchase this year given that they had been no share purchases for the past 3 years.

COMPANY’S RESPONSE

The Board acknowledges, without qualification, that the Company's share price performance over the past decade has been deeply disappointing for shareholders and has not reflected the value of the Group's underlying assets. We do not minimise this.

The primary structural issue is the Tianjin investment property, which we address in detail in below. The Tianjin asset comprises approximately 70% of the Group's total assets (S\$71.7 million as at 31 December 2025) and has been a recurring source of non-cash fair value losses – S\$24.7 million in FY2025 and S\$2.8 million in FY2024 – which have dominated reported earnings and obscured the underlying performance of the Group's operating businesses.

The restaurant operations, which represent the Group's core business, recorded a segment profit of S\$0.3 million in FY2025 despite a highly competitive F&B environment. The Board's focus going into FY2026 includes: continued improvements in the Thai Village restaurant operations; a disciplined approach to cost management; strategic diversification through the coffee venture to build a second growth engine; and a concerted effort to resolve the Tianjin overhang. We believe that over time, progress on these fronts will help close the gap between the Company's market valuation and its intrinsic value.

The Tianjin logistics hub with office building (held through Tianjin Lanting Leasing Co., Ltd.) is the Group's single largest asset, with a carrying value of S\$71.7 million as at 31 December 2025, down from S\$98.0 million in FY2024. The decline reflects the reassessment of market capitalisation rates and

market rental yields by an independent professional valuer, in line with the broader softening of commercial property conditions in China.

This asset does generate rental income from third-party lessees, and it is held for long-term rental yields and capital appreciation. However, the Board is fully cognisant that:

- (a) the asset carries significant financing costs;
- (b) it has been subject to recurring valuation write-downs; and
- (c) it ties up a disproportionate share of the Group's capital and creates significant volatility in reported earnings.

The Board is actively reviewing all options in respect of this asset, including potential partial or full divestment, refinancing on more favourable terms, and joint venture or partnership arrangements. Any disposal at current market conditions would need to be evaluated carefully to avoid crystallising a loss that would impair shareholders' funds. The Board will update shareholders as material developments occur.

The decision not to exercise the share buyback mandate over the past three years reflects management's assessment of the Group's liquidity position during that period, the priority given to debt reduction, and the capital requirements of the business.

With the Group's liquidity position having improved – cash and cash equivalents increased from S\$7.8 million to S\$14.9 million in FY2025 – the Board is in a stronger position to consider capital allocation options, including share buybacks, going forward. The Board will give active consideration to utilising the buyback mandate in FY2026 where market conditions and the Group's cash position permit, and where it is in the best interests of shareholders.

RESPONSE TO QUESTIONS RAISED BY SIAS

QUESTION 1

Would the board/management provide greater clarity on the following operational and financial matters? Specifically:

- (i) Thai Village: What is management's strategy to grow the Thai Village brand, and what specific operational capabilities and industry expertise does the board bring to support the execution of an F&B business?
- (ii) Inventories: Raw materials, as part of inventories, increased significantly from \$1.9 million as at 31 December 2024 to \$4.4 million as at 31 December 2025. In fact, raw materials were much lower at \$5,000 and \$60,000 in FY2019 and FY2020 respectively. What are the underlying drivers of this increase, and should shareholders interpret the rise in raw material inventory as indicative of a shift in the group's procurement strategy or underlying business model?
- (iii) Employee compensation: Despite the decline in revenue, employee benefits remained broadly stable at \$5.4 million. Management has characterised it as disciplined/effective cost management. What guidance has the board given to management to further improve cost efficiency?

COMPANY'S RESPONSE

- (i) The Group remains focused on strengthening the Thai Village brand through maintaining high service standards, food quality and customer experience.

Key initiatives undertaken include:

- Continuous review and refinement of menu offerings
- Maintaining consistency in food quality and service standards
- Strengthening customer engagement, including the use of promotional initiatives such as vouchers to attract and retain customers

The Board and management team collectively bring:

- Experience in finance and real estate development, providing strong financial discipline and strategic oversight to the Group.
- Extensive experience in restaurant operations, including overseeing operations in Singapore and China, as well as franchise development.
- Relevant experience in the hospitality and hotel industry, as well as deep operational and culinary expertise, supporting the maintenance of food quality and operational consistency across the Group's restaurants.

This combination of expertise supports the Group's ability to maintain operational stability, manage costs prudently and sustain the Thai Village brand in a competitive environment.

The Board will continue to guide management in maintaining operational resilience and supporting the long-term sustainability of the Group's food and beverage business.

- (ii) The increase in raw materials inventory is primarily due to higher inventory levels maintained to support the Group's restaurant operations and ensure supply stability.

The Group has been in the F&B industry for many years and has experienced periodic supply disruptions, including volatility in the availability and pricing of key ingredients.

Based on this experience, management has adopted a more proactive procurement approach by maintaining adequate levels of key raw materials. This allows the Group to:

- Mitigate the risk of supply shortages
- Reduce exposure to sudden price increases
- Ensure operational continuity across its restaurant network

This approach reflects prudent inventory management and cost control, rather than a shift in the Group's procurement strategy or underlying business model.

It is also important to note that inventory levels in FY2019 and FY2020 were unusually low due to the adverse impact of the COVID-19 pandemic on the F&B sector, including operational restrictions and reduced business activity. As such, those periods are not directly comparable to current operating conditions. The cost of inventories recognised as an expense in FY2025 was S\$4.2 million, broadly in line with FY2024 (S\$4.4 million).

- (iii) Employee benefit expenses remained stable at S\$5.4 million in FY2025 despite a 7% decline in revenue, reflecting the tight labour market and the need to retain experienced staff to maintain service quality in our restaurant operations.

The Board acknowledges that with declining revenue, the ratio of employee costs to revenue has worsened and requires attention. The Board has accordingly guided management to regularly review staffing levels and deployment across all restaurants to ensure headcount is appropriately sized to business volumes, and to focus on growing revenue through stronger customer engagement and brand positioning as the most sustainable way to improve cost efficiency over time.

The Board will continue to monitor employee costs as a proportion of revenue and work with management to improve cost efficiency as the business recovers.

QUESTION 2

The group recorded a significant decline in the fair value of its investment properties, from \$98.0 million to \$71.7 million, driven primarily by a fair value loss of \$24.7 million due to higher capitalisation rates and market uncertainties.

The valuation of investment properties is also a key audit matter (KAM) highlighted by the independent auditor in their report (page 20). As noted in the KAM, as at 31 December 2025, investment properties represented 70% of the group's total assets. The group's principal asset is a logistics hub with an office building in Tianjin, held for rental income and capital appreciation.

As disclosed in Note 18 (Investments in subsidiary corporations; page 74), Fengchi IOT Management Co., Ltd is now in a net liability position of \$(19.86) million following the impairment.

- (i) Revenue generated from the property increased slightly to \$2.02 million in FY2025. Can management provide a detailed update on the underlying operating performance of the asset, including occupancy rates, rental reversions and tenant profile? What were the changes in the assumptions used in the valuation model that led to the fair value loss?
- (ii) Is the subsidiary currently self-sustaining in terms of operating cash flow, and does management expect any further capital support to be required?
- (iii) Given the decline in valuation and the weak market conditions, how does the board assess the strategic relevance of this asset, and what options are being considered, including repositioning, partial divestment or full exit?

COMPANY'S RESPONSE

- (i) The investment property recorded rental income of \$2.02 million in FY2025. The Group notes that detailed occupancy and tenant-level information is commercially sensitive and not publicly disclosed. However, the property continued to generate rental income during the year. Further details on the property and valuation are disclosed in Note 21 of the financial statements.

The fair value loss of \$24.7 million was primarily due to higher capitalisation rates and prevailing market uncertainties. The key changes in assumptions were an increase in the gross capitalisation rate and a decline in estimated market rental rates, reflecting the prevailing real estate market conditions in Tianjin as at 31 December 2025. Full details of the valuation assumptions are disclosed in the financial statements.

- (ii) The subsidiary's operating performance is impacted by the finance costs associated with the borrowings secured against the investment property. Management monitors the cash position of the subsidiary closely, and at this stage no immediate capital injection is anticipated. It should be noted that the net liability position is largely driven by the non-cash fair value adjustment to investment properties.
- (iii) The Board continues to view the asset as strategically relevant for its recurring income contribution.

In light of current market conditions, the Board will continue to monitor the asset's performance and market environment, while keeping its options open, including potential repositioning or other value realisation opportunities, where appropriate.

QUESTION 3

As disclosed in the corporate governance report, the internal audit function of the group is outsourced to Messrs Mazars LLP. The audit and risk committee (ARC) reviews the internal audit plan and ensures that adequate resources are available to the internal auditor.

- (i) By just reviewing the proposed internal audit plan, how does the ARC contribute to the effectiveness and focus of the internal audit plan, and what specific input or challenge does it provide to ensure that the plan adequately covers the group's key risk areas?
- (ii) Has the ARC adopted a multi-year internal audit roadmap to ensure systematic coverage of all material risk areas? In addition, were all material subsidiaries, including those in China, included in the audit?
- (iii) What was the scope of the internal audit work conducted in 2025, and what are the key findings, recommendations and remediation actions arising from the audit?

COMPANY'S RESPONSE

- (i) The Audit and Risk Committee (ARC) contributes by:
 - Reviewing and challenging internal audit scope, approach, and priorities
 - Ensuring coverage of key financial, operational, and compliance risks
 - Assessing the adequacy and effectiveness of internal controls and risk management systems

The ARC also:

- Engages directly with external and internal auditors without management present, where appropriate
- Oversees the independence, objectivity, and effectiveness of the internal audit function

- (ii) The Audit and Risk Committee ("ARC") oversees the internal audit function, which adopts a risk-based audit approach with coverage planned on a cyclical basis, aimed at ensuring that key business and risk areas across the Group are subject to review over time. The ARC reviews the internal audit plan annually and ensures that coverage remains systematic and responsive to the Group's evolving risk profile.

Such audit planning is intended to support broad and systematic coverage of material risk areas, taking into account the nature and complexity of the Group's operations.

In planning and executing audit work, the internal audit function also considers the Group's organisational structure and includes material subsidiaries within its audit scope, including overseas operations in China, where relevant, to support consistent assessment of internal controls and risk management practices across the Group.

- (iii) For FY2025, the internal audit covered key areas including revenue, procurement and inventory management across the Group's Singapore restaurant operations.

No high or medium risk issues were identified. The findings were limited to minor control improvement areas, and appropriate remediation actions have been implemented or are in progress. In addition, a follow-up review of the prior year's audit findings for the Group's China subsidiary was completed in FY2025. All previously identified issues were assessed and confirmed by the internal auditor to have been appropriately addressed and resolved by management.

By Order of the Board

Fan Bin
Executive Chairman

18 April 2026