

SEVENS ATELIER LIMITED
(Incorporated in the Republic of Singapore)
(Company Registration No.: 197902790N)

RESPONSES TO SIAS QUESTIONS ON ANNUAL REPORT 2023

The Board of Directors (the “**Board**”) of Sevens Atelier Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) refers to the following questions from Securities Investors Association (Singapore) (“**SIAS**”) regarding the Group’s annual report for the financial year ended 31 December 2023 and would like to provide the following responses:

QUESTION 1:

The company, Sevens Atelier Limited, formerly known as Pan Asian Holdings Limited, has transformed itself into a design and build solution provider in the landed residential segment under the “Sevens” brand.

- (i) *For the benefit of new and long-standing shareholders, can the company provide more insight into the origin and brand equity of its “Sevens” brand? How well-established is the brand within the market?*
- (ii) *What has been the market response to the flagship experience centre recently opened in March 2024? Given Singapore’s small size and limited market size in the landed property segment, is it prudent for the group to aspire to open two more such experience centres? The group has an order book of \$8 million as at the end of the reporting period and added a new \$6.5 million contract as announced on 12 January 2024.*

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- (iii) *Can the company confirm its exclusive focus on residential landed houses and is not involved in the commercial or condominium/apartment business segment?*
- (iv) *When the company secures projects, does it act as the main contractor and subcontract the work to specialist subcontractors? If so, what are the avenues to value-add?*

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME**

For The Financial Year Ended 31 December 2023

	Note	Group	
		2023 \$'000	2022 \$'000
Revenue	5	14,330	6,792
Cost of sales		(12,122)	(5,440)
Gross profit		2,208	1,352
Other income and gains	6A	89	101
Marketing and distribution costs		(178)	(112)
Administrative expenses	7	(4,134)	(2,576)
Finance costs	9	(38)	(23)
Other losses	6B	(2,186)	(30)
Loss before tax from continuing operations		(4,239)	(1,288)

(Source: company annual report)

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It appears that the group’s gross profits are grossly inadequate to cover administrative expenses.

- v) *Can management elaborate further on the group's competitive advantage, value proposition and pricing strategies? What is the scale needed to allow the group to breakeven?*

RESPONSE:

- (i) Sevens Atelier Limited, formerly known as Pan Asian Holdings Limited, has been repositioned into a Design and Build business upon the completion of the acquisition of Sevens Creation Pte Ltd and its subsidiaries in June 2021.

The transition to Sevens Atelier Limited was officially ratified by shareholders at the extraordinary general meeting held on 14 June 2022. This rebranding initiative underscores our commitment to aligning the Group's identity and brand name with its core business objectives.

At Sevens Atelier, we harness the collective expertise of an integrated in-house execution and advisory team, positioning ourselves as a premier provider of Design & Build solutions distinguished by innovation within the premium landed property sector.

Central to our mission is a steadfast commitment to enhancing the quality of life through every home we touch. We cater to the discerning needs of individuals in Singapore, offering comprehensive turnkey services from consultation to project completion. Leveraging our combined proficiency in construction, renovation, and interior design, Sevens Atelier aspires to emerge as a frontrunner in the dynamic Design & Build industry landscape.

- (ii) The market has responded positively to the recent opening of our flagship centre experience center in March 2024. Walk-in visitors gave very encouraging feedback to the Company at the centre, we have observed an increase in inquiries, indicating growing interest for our products and services, and awareness among potential clients.

Considering Singapore's limited space and the specialized market of landed properties, it's wise for the Group to expand its presence strategically, investing in additional experience centers only when the timing and cost are optimal, ensuring prudent spending and thorough planning. This approach resonates with our progressive strategy aimed at improving market visibility and fostering a deeper understanding of the Group's offerings..

Despite the modest order book of \$8 million as of the end of FY2023, coupled with the addition of the new \$6.5 million contract announced on January 12, 2024, we remain committed to prudent yet forward-thinking initiatives to drive growth and capitalize on market opportunities.

- (iii) The Company's focus and skill-set extend beyond residential landed houses and encompass a diversified portfolio that includes residential landed, commercial and redevelopment jobs (the latter covering mainly landed and strata projects). While residential landed houses remain a core segment of our operations, we actively explore opportunities in commercial and redevelopment ventures to broaden our scope of service and maximize value for stakeholders. This approach reflects our commitment to adaptability and strategic growth within the dynamic real estate landscape.
- (iv) The Company is the main contractor for all our secured projects. The Company boasts a proven track record of notable design-build projects (these cover residential landed projects) in prime residential districts, such as Orchard Rd, East Coast, Bukit Timah and Sentosa which the Company is well-poised to build trust with our clients and value-add with our bespoke artisanal capabilities in the Design and Build space.

- (v) The Group's competitive advantage lies in its comprehensive suite of services, which are tailored to meet the evolving needs of our affluent clientele. In addition to our core offerings in redevelopment and reconstruction, as mentioned on page 11 of our AR2023, pre-purchase inspections and wise counsel (so as to ensure transparency and peace of mind for our customers who are prospective buyers of properties) are some of value-added services that we provide to make sure the design concept aligns with the clients' objectives. As the Group strives to provide clients with new experiences, we will introduce them to digital adaptation and technology adoption that includes virtual design and construction solutions.

Expanding beyond traditional consultation services for landed properties, Sevens Atelier also offers pre-leasing consultation services for multinational companies when in search for office space. This holistic approach covers intricate details such as lighting, furnishing, and turnkey visualizations, empowering clients to make informed decisions without the pressure of premature commitments to their business spaces. By delivering value-added solutions that prioritize transparency and customization, we strive to establish enduring partnerships built on trust and satisfaction.

To achieve a profitable status, the Company has outlined the following strategies:

- (a) at least maintain the revenue and gross profit levels attained in FY2023; and
- (b) Implement further reductions in administrative expenses and other losses. In this respect, the Company would like to highlight that costs related to the restructuring exercise and the amortization of expenses that arose from intangible assets (related to the 2022 acquisition and disposal) were largely taken into account/completed in FY2023.

QUESTION 2

The executive directors are Ms Vanessa Lim Xiu Fang and Mr Hong Eng Leong, Jeffrey (also chief executive officer), with the latter resigning on 15 March 2024.

The biographies of the directors and key executives are available on pages 6 to 8 of the annual report. Additional information relating to the retiring directors seeking their re-election can be found on pages 49 to 54.

BOARD OF DIRECTORS



VANESSA LIM XIU FANG
Executive Director

Date of appointment: 8 September 2021
Date of last re-appointment: 25 April 2022

Ms Vanessa Lim Xiu Fang is our Executive Director and was appointed to the Board in September 2021. Ms Vanessa holds a Bachelor of Arts Degree from London College of Fashion. Prior to joining the Board, She has over 8 years of experience in the international trading, online retailing and logistic industry. Vanessa's expertise lies in the operational management of Ariki Group and Beauty Eleganza which encompassed business development, sales acquisition, strategic brand diversification, and brand management.



HONG ENG LEONG, JEFFREY
Chief Executive Officer and Executive Director

Date of appointment: 4 July 2022
Resigned on: 15 March 2024

Mr. Jeffrey Hong is the Chief Executive Officer and Executive Director of the Group and spearheads the Group's overall growth, position and long-term strategic planning and goals. He has more than 28 years of experience in the real estate industry and was known for forming alliance within stakeholders in property development and has been involved in several merger and acquisition exercises for Singapore listed companies. Mr. Jeffrey Hong excels in investment projection and estimation of costing and revenue, units' distribution, design and space planning, sales and marketing, as well as advertising and promotional strategies. He graduated with a Master of Science with an emphasis in Global Business and Marketing from the City University of New York.

(Source: company annual report)

- (i) Can the executive director, Ms Vanessa Lim Xiu Fang, provide shareholders with a clearer understanding of her specific roles and responsibilities within the company?
- (ii) What key performance indicators (KPIs) has the board assigned to Ms. Lim in her role as executive director?
- (iii) To help shareholders make an informed decision on the proposed re-election, can the director elaborate on how her experience and track record will contribute to the group's success?

Pursuant to Rule 720(5) of the Catalist Rules, the director has answered "No" to all the questions (including for all the sub-questions under question (j) and question (k)) as set out in Appendix 7F of the Catalist Rules of the SGX-ST.

In Note 39 and the company's announcement dated 22 September 2023, it was disclosed that the company had received an order to provide documents and information to the Commercial Affairs Department ("CAD") and the Monetary Authority of Singapore ("MAS") to assist with an investigation into an offence under the Securities and Futures Act 2001 (the "SFA") pursuant to provisions of the Criminal Procedure Code 2010. The company further stated that Ms Lim attended an interview with the Authorities on 21 September 2023 to assist with the investigation.

Based on the company's understanding, Ms Lim did not surrender her passport, has not been arrested nor formally charged. Ms Lim was also unaware that she was the subject of the investigation.

- (iv) Can the board or director provide shareholders with any updates on the investigations?*
- (v) With the executive director, Mr. Hong Eng Leong, Jeffrey, resigning on 15 March 2024, what progress has been made in appointing a new CEO? What criteria will be used by the board to shortlist and evaluate candidates?*

RESPONSE:

- (i) Ms. Vanessa Lim Xiu Fang plays a pivotal role in the Company, providing leadership in business development, sales acquisition, strategic brand diversification, and brand management. As mentioned on page 6 in the AR2023, upon the completion of the acquisition of the Design and Build business in 2022 (that being her main task upon appointment back in 2021), Ms. Lim's focus has since been on seeking now business opportunities in the area of design and build.*
- (ii) Ms. Lim's key performance indicators (KPIs) are generation of business leads and overseeing the branding management of the group.*
- (iii) The Board, after considering recommendations from the Nominating Committee (NC), has evaluated Ms. Lim's performance, attendance, preparedness, and suitability for re-election. The Board has also considered Ms Lim's contribution towards the Group since appointment, including playing a pivotal role in the seeking of the new business and marketing efforts in the Design and Build business. They have concluded that her experience, expertise, knowledge, and skills align with the Company's core competencies.*
- (iv) As of the current date, there have been no updates from CAD and MAS regarding the ongoing investigations. The Company will provide shareholders with timely update(s) should there be any material development on this front.*
- (v) Following Mr. Hong Eng Leong, Jeffrey's resignation on 15 March 2024, the Company is actively seeking a new CEO. The selection process involves evaluating candidates' academic background, relevant work experience, and skill set. The Company is still in the process of identifying suitable candidates for the position and will update shareholders in due course.*

QUESTION 3

On 8 April 2024, the company announced that there are material variances between the unaudited financial statements and the audited financial statements for the financial year ended 31 December 2023 following the finalisation of audit.

The announcement on the unaudited financial results was first released via SGXNet on 29 February 2024. The announcement of material differences came more than 5 weeks after the company first announced the unaudited financial statements.

Following the finalisation of audit, loss for the year increased from \$(3.1) million to \$(4.1) million. Loss per share increased from (1.47) cents to (1.89) cents. Instead of \$(7.6) million in accumulated losses, the audited loss figure was actually higher at \$(8.53) million.

The company has provided the following explanatory notes:

	Remarks
Revenue	Variance relates mainly to further adjustment made to the revenue subsequent to the announcement, correctly reflected in the audited accounts.
Other losses	Variance relates mainly to two reasons, adjustment made to further goodwill impairment expenses and additional allowance of expected credit losses subsequent to announcement, correctly reflected in the audited accounts.
Goodwill	Variance relates mainly to late adjustment of impairment of goodwill, after the finalization of valuation key assumptions and allocation basis subsequent to the announcement, correctly reflected in the audited accounts.
Contract assets	Variance relates mainly to further adjustment made to contract assets to the announcement, correctly reflected in the audited accounts.
Trade and other receivables	Variance relates mainly to the additional allowance on expected credit losses subsequent to the announcement, correctly reflected in the audited accounts.
Accumulated losses	Variance relates mainly to additional adjustments of goodwill impairment loss and doubtful debt expenses, correctly reflected in the audited accounts.

(Source: company announcement)

The company's announcement can be found here:

<https://links.sgx.com/FileOpen/Material%20difference%20between%20financial%20result%20and%20annual%20report%20FY2023.ashx?App=Announcement&FileID=795147>

- (i) Can the audit committee (AC) help shareholders better understand the underlying reasons for the material variances, such as the belated adjustments and errors in the unaudited financial statements?
- (ii) What are the challenges faced by the company's finance and accounting staff in meeting the Singapore Financial Reporting Standards (International) (SFRS(I))?
- (iii) What role did the AC play in the preparation of the financial statements? Was it adequate?
- (iv) How can shareholders be assured that the internal financial reporting/finance team is sufficiently resourced with experienced and qualified staff to ensure the integrity of the financial statements?
- (v) What changes have been made/will be made to the group's financial reporting systems and processes?

RESPONSE:

- (i) The transition of auditors in 2023 significantly contributed to delays in finalizing the external audit process. This was primarily due to the extra time and effort required to verify and evaluate the opening balances, particularly concerning goodwill and revenue recognition. Consequently, subsequent to the SGXNet announcement on 29 February 2024 of the Group's unaudited results, the availability of latest information and discussions with the current auditors led to the necessary adjustments.

Along with integrating new team members, present ongoing challenges for the finance and accounting staff. However, the Company believes that with proper support and internal planning, these challenges can be effectively managed. Also, the joining of a Chief Financial Officer Mr. Cheung ka Ho ("**CFO**") on 18 December 2023, would definitely elevate the efficiency and proficiency of the finance and accounting team.

- (iii) The AC has fulfilled its obligations in accordance with Section 201B(5) of the Companies Act. The Board of Directors, with the AC's concurrence, affirms that the Group's internal control system, addressing financial, operational, compliance, and information technology risks, remained adequate throughout the financial year and up to the date of the annual report.
- (iv) The appointment of our CFO on December 18, 2023, brings with him significant professionalism and expertise in both accounting and listing rules related requirements. Mr. Cheung has 9 years of audit and accounting experiences and 6 years of experience working in/or being part of SGX-listed entities. Since joining the Company, Mr. Cheung has also made improvements to our internal processes and systems. The CFO's leadership and guidance will ensure that the finance and accounting team is sufficiently resourced with qualified staff, thereby safeguarding the integrity of the financial statements. The Board would like to assure shareholders that the Company, including the finance and accounting team has the full support of the Audit Committee and the Board.
- (v) The Company has implemented enhancements to facilitate the timely preparation of financial reports and reporting packages. Also, as mentioned above, CFO has made improvement to our internal processes and systems such as the revisit and update the standard operating procedure ("SOP") in finance and operation. Furthermore, starting from second quarter FY2024 onwards, the Company will issue quarterly financial result announcements to provide stakeholders with timely and comprehensive financial information. These measures aim to improve transparency and accountability to shareholders.

By Order of the Board

Lawrence Chen Tse Chau
Independent Director and Non-Executive Chairman
24 April 2024

*This announcement has been reviewed by the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd. (the "**Sponsor**"). It has not been examined or approved by the Singapore Exchange Securities Trading Limited (the "**Exchange**") and the Exchange assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement.*

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