SOLIS HOLDINGS LIMITED
守益控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 2227)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

FINANCIAL HIGHLIGHTS

Revenue decreased by approximately 63.8% to approximately S$7.2 million in 2020 from approximately S$19.9 million in 2019.

Gross loss decreased by approximately 98.6% to approximately to S$34,000 in 2020 from approximately S$2.4 million in 2019.

Loss for the year decreased by approximately 59.2% to approximately S$3.1 million in 2020 from approximately S$7.6 million in 2019.

The Board did not recommend the payment of a final dividend for the year ended 31 December 2020 (2019: Nil).

ANNUAL RESULTS

The board (the "Board") of directors (the "Directors") of Solis Holdings Limited (the "Company") hereby announce the audited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2020 together with comparative figures for the year ended 31 December 2019 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Note	**2020**	2019
		S$'000	*S$'000*
Revenue	*4*	**7,169**	19,900
Cost of services		**(7,203)**	(22,340)
Gross loss		**(34)**	(2,440)
Other income	*5*	**1,883**	533
Other gains/(losses)	*5*	**13**	269
Administrative expenses		**(4,991)**	(5,303)
Finance costs	*6*	**–**	(13)
Net impairment losses on contract assets		**–**	(661)
Loss before tax	*8*	**(3,129)**	(7,615)
Tax credit	*7*	**–**	48
Loss for the year		**(3,129)**	(7,567)
Other comprehensive loss, net of income tax			
Items that will not be reclassified subsequently to profit or loss:			
Deficit on revaluation of freehold properties		**(11)**	(754)
Surplus on changes in fair value of intangible assets		**9**	11
Deficit on changes in fair value of financial asset at fair value through other comprehensive income		**(30)**	(13)
		(32)	(756)
Total comprehensive loss for the year		**(3,161)**	(8,323)

	Note	**2020**	2019
		S$'000	*S$'000*
Loss for the year attributable to:			
Owners of the Company		**(3,129)**	(7,564)
Non-controlling interest		*	(3)
		(3,129)	(7,567)
Total comprehensive loss for the year attributable to:			
Owners of the Company		**(3,161)**	(8,320)
Non-controlling interest		*	(3)
		(3,161)	(8,323)
Basic and diluted loss per share (S$ cents)	*9*	**(0.34)**	(0.90)

* Amount less than S$1,000.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Note	**2020** ***S$'000***	2019 *S$'000* (Restated)
Non-current assets			
Property, plant and equipment		**25,305**	25,880
Investment property		**4,177**	4,226
Intangible assets		**204**	195
Financial asset at fair value through other comprehensive income		**120**	150
Financial asset at fair value through profit or loss		**10,069**	–
Total non-current assets		**39,875**	30,451
Current assets			
Trade receivables	*10*	**883**	2,951
Other receivables, deposits and prepayments	*11*	**368**	222
Contract assets		**1,932**	3,139
Amount due from ultimate holding company		**98**	8
Pledged fixed deposit		**210**	210
Cash and cash equivalents		**16,599**	15,888
Total current assets		**20,090**	22,418
Total assets		**59,965**	52,869
Non-current liabilities			
Deferred tax liabilities		**–**	–

	Note	2020	2019
		S$'000	*S$'000*
			(Restated)
Current liabilities			
Trade payables and trade accruals	*12*	**1,996**	2,710
Other payables and accrued expenses	*13*	**3,597**	2,760
Contract liabilities		**2,293**	–
Income tax payable		**–**	34
Total current liabilities		**7,886**	5,504
Total liabilities		**7,886**	5,504
Net assets		**52,079**	47,365
Equity			
Share capital	*14*	**1,585**	1,454
Share premium		**34,440**	26,697
Retained Earnings		**5,608**	8,737
Reserves		**10,448**	10,480
Equity attributable to owners of the Company		**52,081**	47,368
Non-controlling interests		**(2)**	(3)
Total equity		**52,079**	47,365

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL

The Company was incorporated in the Cayman Islands on 21 June 2017 as an exempted company with limited liability under the Companies Law (Cap. 22, Law of 1961 as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and the principal place of business in Hong Kong is at Rooms 1002-03, 10th Floor, Perfect Commercial Building, No. 20 Austin Avenue, Tsim Sha Tsui, Kowloon, Hong Kong. The head office and principal place of business of the Group in Singapore is at 85 Tagore Lane, Singapore 787527.

The Company is a subsidiary of HMK Investment Holdings Limited ("HMK"), a company incorporated in the British Virgin Islands ("BVI") which is also the Company's ultimate holding company. Mr. Tay Yong Hua, Mr. Tay Yong Meng and Mr. Kenneth Teo Swee Cheng ("Mr. Kenneth Teo") jointly controls the ultimate holding company and are the controlling shareholders of Solis Holdings Limited and its subsidiaries (the "Group") (together referred to as the "Controlling Shareholders").

The Company is an investment holding company. The Company's operating subsidiary (collectively, the "Group") is principally engaged in the provision of installations of mechanical and electrical systems.

The shares of the Company (the "Shares") were listed on Main Board of the Stock Exchange of Hong Kong Limited (the "Listing") by way of placing and public offer (the "Share Offer") on 11 December 2017 (the "Listing Date").

2 BASIS OF PREPARATION

The financial statements are presented in Singapore dollar ("S$"), which is the Company's functional currency. All financial information presented in Singapore dollar are rounded to the nearest thousand ("S$'000") except when otherwise indicated. The financial statements have been prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance and International Financial Reporting Standards (International) ("IFRSs"). The financial statements have been prepared under the historical cost convention except for certain properties, intangible assets and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period.

The preparation of financial statements in conformity with IFRSs requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management's best knowledge of current events and actions and historical experiences and various other factors that are believed to be reasonable under the circumstances, actual results may ultimately differ from those estimates.

3 ADOPTION OF NEW AND REVISED STANDARDS

In the current financial year, the Group has adopted all the new and revised IFRSs and International Financial Reporting Interpretations Committee Interpretations ("IFRIC INT") that are relevant to its operations and effective for the current financial year. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective IFRSs and IFRIC INT.

The adoption of these new and revised IFRSs and IFRIC INT did not have any material effect on the financial results or position of the Group.

New standards, amendments to standards and interpretations that have been issued at the end of the reporting period but are not yet effective for the financial year ended 31 December 2020 have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Group.

4 REVENUE AND SEGMENT INFORMATION

Revenue represents the fair value of amounts received and receivable from the construction contract revenue for the installations of mechanical and electrical systems.

Information is reported to the executive directors of the Group, being the chief operating decision makers, for the purposes of resource allocation and performance assessment. They would review the overall results and financial position of the Group as a whole prepared based on same accounting policies. Accordingly, the Group has only one single operating segment and only disclosures on services, major customers and geographical information of this single segment are presented.

An analysis of the Group's revenue for the year is as follows:

	Year ended 31 December	
	2020	2019
	S$'000	*S$'000*
Revenue from:		
Installations of mechanical and electrical systems	**7,169**	19,900

Information about major customers

Revenue from customers individually contributing over 10% of the total revenue of the Group of the corresponding years are as follows:

	Year ended 31 December	
	2020	2019
	S$'000	*S$'000*
Customer A	**2,558**	N/A*
Customer B	**2,258**	N/A
Customer C	**1,157**	N/A
Customer D	**787**	5,551
Customer E	**N/A***	3,123
Customer F	**N/A***	3,794
Customer G	**N/A***	3,473

* The corresponding revenue did not contribute over 10% of the total revenue of the Group in the respective financial years.

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2020 and 31 December 2019 are as follows:

	Year ended 31 December	
	2020	2019
	S$'000	*S$'000*
Installations of mechanical and electrical systems	**33,033**	13,257

The directors of the Company expect that the transaction price allocated to the unsatisfied performance contracts as of the year ended 2020 will be recognised as revenue varying from 1 to 2 years according to the contract period.

Geographical information

The Group principally operates in Singapore, which is also the place of domicile. All revenue was derived from Singapore based on the location of services performed and the Group's property, plant and equipment are all located in Singapore.

5 OTHER INCOME AND OTHER GAINS (LOSSES)

	Year ended 31 December	
	2020	2019
	S$'000	*S$'000*
Other income		
Interest income	**74**	262
Dividend income	**2**	3
Government grants *(Note)*	**1,681**	52
Rental income	**126**	216
	1,883	533
Other gains (losses)		
Revaluation (deficit) surplus on property	**(17)**	173
Fair value (loss) gain on investment property	**(49)**	97
Gain (loss) on disposal of property, plant and equipment	**79**	(1)
	13	269

Note: Government grant income of S$482,000 (2019: S$Nil) was recognised during the financial year under the Jobs Support Scheme (the "JSS"). Under the JSS, the Singapore Government will co-fund gross monthly wages paid to each local employee through cash subsidies with the objective of helping employers retain local employees during the period of economic uncertainty. In determining the recognition of the JSS grant income, management has evaluated and concluded that the period of economic uncertainty commenced in April 2020 when the Coronavirus Disease 2019 ("COVID-19") pandemic started affecting the Group's operations.

Foreign worker levy waiver and rebates of S$1,049,000 (2019: S$Nil) was recognised during the financial year. The Singapore Government provided business employers who hire workers on work permit and S-Pass with foreign worker levy waiver and rebates to ease the labour costs of the Group.

6 FINANCE COSTS

	Year ended 31 December	
	2020	2019
	S$'000	*S$'000*
Interest expense:		
– Obligations under finance leases	–	2
– Bank borrowings	–	11
	–	13

7 TAX CREDIT

Singapore corporate income tax has been provided for at the rate of 17% (2019: 17%) on the estimated assessable profit for the financial year ended 31 December 2020.

No overseas profits tax has been calculated for entities of the Group that are incorporated in the BVI or the Cayman Islands as they are exempted from tax (2019: Nil).

The amount of tax credit in the consolidated statement of comprehensive income represents:

	Year ended 31 December	
	2020	2019
	S$'000	*S$'000*
Current income tax		
– Under provision in respect of previous financial years	–	20
Deferred tax	–	(68)
Tax credit	–	(48)

The tax on the Group's loss before income tax differs from the theoretical amount that would arise using the enacted tax rate of the Group entities as follows:

	Year ended 31 December	
	2020	2019
	S$'000	*S$'000*
Loss before taxation	**(3,129)**	(7,615)
Tax calculated at domestic tax rates applicable to loss in the respective jurisdictions	**(532)**	(1,295)
Expenses not deductible for tax purposes	**172**	243
Income not subject to tax	**(96)**	–
Deferred tax assets not recognised	**462**	1,052
Underprovision of income tax in respect of previous financial years	**–**	20
Others	**(6)**	(68)
Income tax credit	**–**	(48)

Deferred tax assets are recognised for unabsorbed tax losses and other deductible temporary differences carried forward to the extent that realisation of the related tax benefits through future taxable profits is probable. The Group has unabsorbed tax losses and unutilised capital allowances of approximately S$9,358,000 (2019: S$6,733,000) and S$4,000 (2019: S$Nil) respectively at the reporting date which can be carried forward and used to offset against future taxable income subject to meeting certain statutory requirements. No deferred tax asset has been recognised in respect of these unabsorbed tax losses and unutilised capital allowances as it is not probable that future taxable profits will be sufficient to allow the related tax benefits to be realised. These income tax losses have no expiry dates.

8 LOSS BEFORE TAX

Loss before tax is arrived at after charging:

	Year ended 31 December	
	2020	2019
	S$'000	*S$'000*
Auditor's remuneration	**122**	158
Depreciation of property, plant and equipment	**501**	612
Directors' remuneration (including contributions to CPF)	**1,404**	1,336
Other staff costs*		
– Salaries and other benefits	**3,871**	6,783
– Contributions to CPF	**210**	223
Subcontractor costs recognised as cost of services	**803**	3,684

* Staff costs of S$2,170,000 (2019: S$5,534,000) are included in cost of services.

9 LOSS PER SHARE

a) Basic

Basic loss per share is calculated by dividing the loss attributable to owners of the Company by the number of ordinary shares in issue during the financial year.

	Year ended 31 December	
	2020	2019
Loss attributable to the owners of the Company (S$'000)	**(3,129)**	(7,564)
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share ('000)	**911,469**	840,000
Loss per share (S$ cents)	**(0.34)**	(0.90)

b) Diluted

The diluted loss per share is the same as the basic loss per share due to the absence of dilutive ordinary shares during the respective years.

10 TRADE RECEIVABLES

	Year ended 31 December	
	2020	2019
	S$'000	*S$'000*
Trade receivables	**883**	2,951

The Group grants credit terms to customers typically up to 35 days from the invoice date for trade receivables (2019: 35 days).

The following is an aged analysis of trade receivables, presented based on the invoice date at the end of each reporting period:

	Year ended 31 December	
	2020	2019
	S$'000	*S$'000*
1 to 30 days	**853**	1,646
31 to 60 days	**23**	1,305
61 to 90 days	**–**	–
More than 90 days	**7**	–
	883	2,951

As at 31 December 2020 and 2019, the carrying amounts of trade receivables are denominated in S$ and approximate their fair values.

Before accepting any new customer, the Group will assess the potential customer's credit quality and defined credit limit to each customer on individual basis. Limits attributed to customers are reviewed once a year.

The Group applied lifetime ECL (simplified approach) to provide the expected credit losses as prescribed by IFRS 9.

As part of the Group's credit risk management, the ECL on trade receivables are assessed individually for debtors with significant balances. Assessment is done based on historical credit loss experience based on the past default experience of the debtor, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

The directors of the Company considered that there is no loss allowance required for trade receivables as at 31 December 2020 and 31 December 2019.

11 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Year ended 31 December	
	2020	2019
	S$'000	*S$'000*
Deposits	**96**	121
Prepayments	**83**	98
Advances to staff	**1**	3
Grant receivable from government	**188**	–
	368	222

As at 31 December 2020 and 2019, the carrying amounts of deposits and other receivables are denominated in S$ and approximate their fair values.

The Group applied 12-month ECL to provide the expected credit losses as prescribed by IFRS 9.

As part of the Group's credit risk management, the Group determines the ECL on other receivables and deposits based on historical credit loss experience based on the past default experience of the debtor, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

The directors of the Company considered that there is no loss allowance required for other receivables and deposits as at 31 December 2020 and 31 December 2019.

12 TRADE PAYABLES AND TRADE ACCRUALS

	Year ended 31 December	
	2020	2019
	S$'000	*S$'000*
		(Restated)
Trade payables	**1,289**	1,771
Trade accruals	**707**	939
	1,996	2,710

Trade payables at the balance sheet date comprise amounts outstanding to suppliers and subcontractors. The average credit period taken for trade purchase is generally 30 to 90 days or payable upon delivery. As at 31 December 2020, the ageing analysis of the trade payables, based on invoice date, are as follows:

	Year ended 31 December	
	2020	2019
	S$'000	*S$'000*
Within 90 days	**988**	1,397
Over 90 days	**301**	374
	1,289	1,771

The carrying amounts of trade payables approximate their fair values.

13 OTHER PAYABLES AND ACCRUED EXPENSES

	Year ended 31 December	
	2020	2019
	S$'000	*S$'000*
Accrued operating expenses	**1,001**	1,149
Other payables	**2,332**	1,611
Deferred grant income	**264**	–
	3,597	2,760

Included in other payables are S$2,155,000 (2019: S$Nil) in relation to the unpaid purchase consideration for acquisition in D.D. Resident Co. Ltd. and S$ Nil (2019: S$1,416,000) in relation to the amounts payable for the purchase of property, plant and equipment.

The carrying amounts of other payables and accrued expenses approximate their values.

14 SHARE CAPITAL

	Number of shares	Share capital *HK$'000*
2020		
Authorised:		
Ordinary shares of HK$0.01 each		
At 1 January 2020 and 31 December 2020	**10,000,000,000**	**100,000**

	Number of shares	Share capital *S$'000*
Issued and fully paid:		
Ordinary shares of HK$0.01 each		
At 1 January 2020	**840,000,000**	**1,454**
Issuance of consideration shares *(Note a)*	**75,600,000**	**131**
At 31 December 2020	**915,600,000**	**1,585**

	Number of shares	Share capital *HK$'000*
2019		
Authorised:		
Ordinary shares of HK$0.01 each		
At 1 January 2019 and 31 December 2019	10,000,000,000	100,000

	Number of shares	Share capital *S$'000*
Issued and fully paid:		
Ordinary shares of HK$0.01 each		
At 1 January 2019 and 31 December 2019	840,000,000	1,454

Note:

a. On 21 January 2020, the Company issued and allotted 75,600,000 new ordinary shares by way of placing at a price of HK$0.60 per share for cash consideration of approximately HK$45,360,000 (approximately S$7,874,000) of which S$131,000 was credited to share capital and the balance of S$7,743,000 was credited to the share premium account.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Outlook

The Group is a design and build mechanical and electrical ("M&E") engineering contractor in Singapore and our scope of services comprises (i) designing of M&E systems, which involves the design for functionality and connectedness of various building systems; and (ii) building and installation of the M&E systems. The Group has been established for over 30 years and specialises in electrical engineering, and the projects are in relation to new building developments and major additions and alterations ("A&A") works, which include private residential, mixed residential and commercial developments and institutional buildings.

The year 2020 has proven to be a very challenging and difficult year as the whole world is experiencing an unprecedented crisis caused by the Coronavirus Disease 2019 ("COVID-19") which subsequently developed to a global pandemic. It has led to severe contraction in economic activities both in Singapore and globally, due to the combination of supply chain disruptions, travel restrictions imposed in many countries and a sudden decline in demand. In order to control the spread of COVID-19, many countries have implemented strict public health measures, including lockdowns and border closures to limit the movement of people.

The Singapore Government had also imposed Circuit Breaker Measures in which non-essential businesses were suspended since 7 April 2020. To comply with the Circuit Breaker Measures, the Group has implemented its business continuity plans, including work from home arrangements for certain key functions. The Group's construction activities were also suspended which led to extensive disruption to the normal operations of the Group, which adversely impacted the Group's revenue and financial performance for the year. The Circuit Breaker Measures ended in June 2020 and in December 2020, Singapore entered Phase 3 of re-opening, construction activities were allowed to resume progressively in a controlled manner if the COVID-Safe restart measures are met.

The Ministry of Trade and Industry of Singapore reported on 15 February 2021 that the Singapore economy contracted by 5.4% in 2020. Specifically, the construction sector shrank by 35.9% due to declines in both public sector and private sector construction works.

Going forward, the Group expects a challenging landscape for the construction sector owing to slim profit margins, due to shortage of manpower and compliance requirements to maintain Safe Management Measures at project sites. The full extent of the impact of COVID-19 is largely dependent on the trajectory of the pandemic and its recovery, bearing in mind the uncertainty surrounding the likelihood of a second wave. Nevertheless, the Group has complied with the Safe Management Measures required by the Ministry of Manpower and Building and Construction Authority ("BCA") and has resumed activities at all of the Group's project sites. In the meantime, the Group is monitoring the situation closely and will maintain operational and financial prudence amidst a challenging economy. We will work with the relevant Singapore Government authorities and customers to mitigate any potential issues and continue to manage its expenditure, review the business strategy constantly and look for opportunities in a cautious and prudent manner.

For the year ended 31 December 2020, the Group's revenue decreased by approximately 63.8% to approximately S$7.2 million as compared to approximately S$19.9 million recorded in the last financial year. The decrease in revenue was mainly attributable to the completion of several projects in the second half of 2019. The outstanding and newly awarded projects were delayed resulting to significantly less construction activities performed due to the Circuit Breaker Measures imposed arising from the COVID-19 pandemic. Our gross loss decreased by approximately S$2.4 million or 98.6%, from approximately S$2.4 million for the year ended 31 December 2019 to a gross loss of approximately S$34,000 for the year ended 31 December 2020.

Completed project

During the year ended 31 December 2020, the Group had completed one project with an aggregated contract value of approximately S$1.2 million.

Ongoing projects

As at 31 December 2020, the Group had seven ongoing projects with an aggregate contract sum of approximately S$46.5 million, of which approximately S$13.5 million had been recognised as revenue as at 31 December 2020. The remaining balance will be recognised as our revenue in accordance with the stage of completion.

Newly awarded projects

During the year ended 31 December 2020, the Group has secured four newly awarded projects with an aggregate contract value of approximately S$26.7 million of which one of the project was completed during the year as included in the "Completed project" above.

Subsequent to the year ended 31 December 2020, the Group has secured a newly awarded project with an aggregate contract value of approximately S$21.0 million.

FINANCIAL REVIEW

Revenue

The Group derived revenue from our design and/or build and installation of M&E systems for both private sector and public sector projects.

	For the year ended 31 December					
	2020			2019		
	Number of projects with revenue contribution	**S$' million**	**% to total revenue**	Number of projects with revenue contribution	S$' million	% to total revenue
Private sector projects	**2**	**0.8**	**11.1**	5	9.6	48.2
Public sector projects	**5**	**6.4**	**88.9**	4	10.3	51.8
Total	**7**	**7.2**	**100.0**	9	19.9	100.0

Our revenue decreased by approximately S$12.7 million or 63.8%, from approximately S$19.9 million for the year ended 31 December 2019 to approximately S$7.2 million for the year ended 31 December 2020. Such decrease was mainly attributable to the completion of several projects in the second half of 2019. Further, the outstanding and newly awarded projects were delayed resulting to significantly less construction activities performed due to the Circuit Breaker Measures imposed arising from the COVID-19 pandemic during the year.

Cost of services

Our cost of services decreased by approximately S$15.1 million or 67.7%, from approximately S$22.3 million for the year ended 31 December 2019 to approximately S$7.2 million for the year ended 31 December 2020, which was in line with the decrease in revenue for the corresponding year.

Gross Loss and gross loss margin

Our gross loss decreased by approximately S$2.4 million or 98.6%, from approximately S$2.4 million for the year ended 31 December 2019 to a gross loss of approximately S$34,000 for the year ended 31 December 2020. Gross loss margin reduces 11.8 percentage points from approximately 12.3% for the year ended 31 December 2019 to approximately 0.5% for the year ended 31 December 2020. Gross loss margin was mainly attributable to the increase in the prices of materials, labour and logistics for ongoing projects due to supply chain disruption and in order to comply with the Safe Management Measures for the resumption of construction activities the Group's ongoing project sites.

Other income, gains and losses

Other income, gains and losses of the Group increased by approximately S$1.8 million, from approximately S$0.1 million for the year ended 31 December 2019 to approximately S$1.9 million for the year ended 31 December 2020. Such increase was mainly due to the government subsidies granted from the Singapore Government to assist business defraying the cost caused by the COVID-19 pandemic.

Administrative expenses

The administrative expenses of the Group decreased by approximately S$0.3 million or 5.7%, from approximately S$5.3 million for the year ended 31 December 2019 to approximately S$5.0 million for the year ended 31 December 2020. Such decrease was mainly attributable to the decrease in dormitory rental expense as the dormitory of the Group's previously acquired property in November 2018 was used to accommodate our foreign workers. In 2019, the dormitory of the property was leased out to an Independent Third Party.

Finance costs

The finance costs of the Group comprised interest expenses on obligations under finance leases for our motor vehicles and bank borrowing. Our finance costs were S$Nil for the year ended 31 December 2020 as the bank borrowing was fully repaid in April 2019 and the repayment term of the finance leases for our motor vehicles were completed in October 2019.

Tax credit

The income tax credit for the year ended 31 December 2019 was attributable to the overprovision of deferred tax in prior years which was slightly offset by the underprovision of income tax expense in prior years. As the Group recorded a tax loss for the year ended 31 December 2020, there was no income tax expense incurred.

Loss for the year

Loss for the year decreased by approximately 59.2% to approximately S$3.1 million from approximately S$7.6 million for the year ended 31 December 2019.

Final dividend

The Board did not recommend the payment of a final dividend for the year ended 31 December 2020 (2019: Nil).

Liquidity and financial resources

The Group practiced prudent financial management and maintained a strong and sound financial position during the year ended 31 December 2020. As at 31 December 2020, the Group had cash and bank balances of approximately S$16.6 million (2019: approximately S$15.9 million) and available unutilised banking facilities of approximately S$4.8 million (2019: approximately of S$6.8 million).

As at 31 December 2020, the Group has no interest-bearing borrowings (2019: Nil). The Group's current ratio and gearing ratio were approximately 2.5 times (2019: approximately 4.1 times) and Nil% (2019: Nil%) respectively.

Pledge of assets

As at 31 December 2020, the Group had pledged fixed deposits of approximately S$0.2 million (2019: approximately S$0.2 million) to secure the banking facilities granted to the Group. The Group's two owned properties with a fair value amounted to approximately S$20.3 million (2019: approximately S$20.5 million) were also pledged for mortgage to secure the banking facilities as at 31 December 2020 and 2019.

Exposure to foreign exchange rate risks

The Group transacts mainly in Singapore dollars, which is the functional currency of all the Group's operating subsidiaries. However, the Group retains some proceeds from the Listing in Hong Kong dollars amounting to approximately S$1.5 million (2019: approximately S$1.6 million) that are exposed to foreign exchange rate risks.

The Group will continue to monitor its foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Capital structure

As at 31 December 2020, there has been no change to the capital structure of the Company. The Company's capital comprises ordinary shares and capital reserves. The Group finances its working capital, capital expenditures and other liquidity requirements through a combination of its cash and cash equivalents, cash flows generated from operations, bank facilities, and net proceeds from the Share Offer.

Contingent liabilities and capital commitments

As at 31 December 2020, the Group did not have any material contingent liabilities and capital commitments.

Material acquisitions and disposals of subsidiaries, associates and joint ventures

During the year ended 31 December 2020, the Group did not have any material acquisitions nor disposals of subsidiaries and affiliated companies.

Significant investments held and principal properties

Save for those disclosed in relation to the investment in listed equity shares and properties held by the Group, as at 31 December 2020, the Group did not have any other investment in equity interest in any other company.

Employees and remuneration policies

As at 31 December 2020, the Group had a total of 154 employees (2019: 206 employees), including executive Directors. Total staff costs (including Directors' emoluments) were approximately S$5.5 million for the year ended 31 December 2020 (approximately S$8.3 million for the year ended 31 December 2019).

The Group's employees are remunerated according to their job scope, responsibilities, and performance. On top of basic salaries, employees are also entitled to discretionary bonuses depending on their respective performance and the profitability of the Group. The Group's foreign workers are typically employed on two-year basis depending on the period of their work permits, and subject to renewal based on their performance, and are remunerated according to their work skills.

The emoluments of Directors were reviewed by the remuneration committee of the Company, having regard to salaries paid by comparable companies, experience, responsibilities, and performance of the Group, and approved by the Board.

Future plans for material investment and capital assets

The Group does not have any other plans for material investments and capital assets as at 31 December 2020.

Use of proceeds from Share Offer and comparison of business objectives with actual business progress

Up to 31 December 2020, the net proceeds raised from the listing of shares of the Company were utilised in accordance with the designated uses set out in the Prospectus and the supplemental announcement issued on 3 August 2020 (the "Supplemental Announcement") as follows:

Use of Net Proceeds	Planned use of net proceeds as disclosed in the Prospectus *(S$' million)*	Remaining net proceeds available as at 31 December 2019 *(S$' million)*	Adjusted use of net proceeds as stated in the announcement of the Company dated 3 August 2020 *(S$' million)*	Utilised amount as at 31 December 2020 *(S$' million)*	Remaining net proceeds available as at 31 December 2020 *(S$' million)*	Expected timeline for utilising the unutilised Net Proceeds (Note)
Increase our workforce	4.0	2.1	2.1	1.0	1.1	On or before 31 December 2022
Purchase of machinery and equipment, and lorries	1.5	1.3	0.5	0.1	0.4	On or before 31 December 2022
Purchase of additional property	10.0	1.2	–	–	–	Not applicable
Expand our internal competencies	6.9	6.9	1.8	–	1.8	On or before 31 December 2022
Build our competencies in building information model ("BIM")	0.5	0.5	0.5	–	0.5	On or before 31 December 2022
General working capital	1.1	–	7.1	1.8	5.3	On or before 31 December 2022
Total	24.0	12.0	12.0	2.9	9.1	

Note: The expected timeline for utilising the remaining Net Proceeds is based on the best estimation of the future market conditions made by the Group. It will be subject to change based on the current and future development of the market conditions.

CORPORATE GOVERNANCE/OTHER INFORMATION

Purchase, sale or redemption of the Company's listed securities

During the year, neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the Company's listed securities.

Non-competition undertaking

The Company has received the confirmation from the controlling shareholders in respect of their compliance with the terms of non-competition undertaking for the year.

The independent non-executive Directors had reviewed and confirmed that the controlling shareholders have complied with the non-competition undertaking and the non-competition undertaking has been enforced by the Company in accordance with its terms for the year.

Saved as disclosed above, none of the directors, the substantial shareholders or the management of the Company or any of their respective associates has engaged in any business that competes or may compete, either directly or indirectly, with the business of the Group or has any other conflict of interests with the Group during the year.

Code of conduct for securities transactions by directors

The Company has adopted a code of conduct regarding securities transactions by directors (the ''Model Code'') on terms no less exacting than the required standard of dealings as set out in Appendix 10 to the Listing Rules. Having made specific enquiry of all directors, all directors confirmed that they had complied with the required standard of dealings and the code of conduct regarding securities transactions by directors adopted by the Company during the year.

The Board has also adopted the Model Code to regulate all dealings by relevant employees who are likely to be in possession of unpublished inside information of the Company in respect of securities in the Company as referred to in code provision A.6.4 of the corporate governance codes (the ''CG Code''). No incident of non-compliance with the Model Code by the Company's relevant employees has been noted for the year after making reasonable enquiry.

Corporate governance principles and practices

The Board and the management of the Company are committed to maintaining high corporate governance standards to safeguard the interests of shareholders and to enhance corporate value and accountability. The Company's corporate governance practices are based on the principles and code provisions as set out in the CG Code as contained in Appendix 14 of the Listing Rules. Throughout the year ended 31 December 2020, the Board considers that the Company has fully complied with all the applicable principles and code provisions as set out in the CG Code the year. The Board will continue to review and monitor the Company's corporate governance practices to ensure compliance with the Code.

Chairman and Chief Executive Officer

Under code provision A.2.1 of the CG Code, the roles of Chairman and chief executive should be separate and should not be performed by the same individual. The roles of the Chairman and the Chief Executive Officer of the Company are separated. Mr. Tay Yong Hua is the executive Chairman of the Board. The Chairman provides an effective leadership and ensure the continuing effectiveness of the management team of the Company. Mr. Kenneth Teo Swee Cheng (Kenneth Zhang Ruiqing) is the Chief Executive Officer of the Company. He focuses on daily operations of the Group. Their respective responsibilities are clearly defined in writing.

Significant event after the reporting period

Up to the date of this announcement, there was no significant event relevant to the business or financial performance of the Group that come to the attention of the Directors after the year ended 31 December 2020.

Annual General Meeting (the ''AGM'')

The AGM of the Company (the ''AGM'') will be held on 18 June 2021 (Friday).

The notice of the AGM will be published on the website of the Stock Exchange at http://www.hkexnews.hk and the Company's website at http://www.TheSolisGrp.com. and sent to the shareholders of the Company, together with the Company's annual report, in due course.

Closure of register of members

The register of members of the Company will be closed from 14 June 2021 (Monday) to 18 June 2021 (Friday) (both days inclusive), during which period no transfers of shares will be registered. To determine the entitlement(s) to attend and vote at the AGM, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Boardroom Share Registrars (HK) Limited, at Room 2103B, 21/F., 148 Electric Road, North Point, Hong Kong for registration not later than 4:30 p.m. on 11 June 2021 (Friday).

Audit committee

The Company established an audit committee (''Audit Committee'') on 14 November 2017 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the CG Code as set out in Appendix 14 to the Listing Rules. The Company has updated the written terms of reference of audit committee on 16 November 2018 in compliance with the new CG Code with effect from 1 January 2019. The revised terms of reference of the audit committee are available on the websites of the Company and the Stock Exchange.

The responsibility of the audit committee is to assist the Board in fulfilling its audit duties through the review and supervision of the Company's financial reporting, risk management and internal control principles and procedures, and to provide advice and comments to the Board. The members meet regularly with the external auditor and/or the Company's senior management for the review, supervision and discussion of the Company's financial reporting, risk management and internal control procedures and ensure that the board and the management have discharged their duties to have an effective risk management and internal control systems.

As at 31 December 2020, the audit committee comprises two independent non-executive Directors, namely Mr. Cheung Garnok (Chairman) and Ms. Zhang Xiuyan, as such, the Company fails to meet (i) the requirement set out in Rule 3.10(1) and 3.21 of the Listing Rules that every board of directors of a listed issuer must include at least three independent non-executive directors; and (ii) the requirements set out in Rule 3.21 of the Listing Rules that the Audit Committee must comprise a minimum of three members.

The Board is in the process of identifying a suitable candidate to fill the vacancy of the position of independent non-executive Director who satisfies the requirements under Rules 3.10(1) and 3.21 of the Listing Rules and will use its best endeavours to ensure that the suitable candidate is appointed as soon as possible and, in any event, within three months from 29 December 2020, pursuant to Rules 3.11 and 3.23 of the Listing Rules. The Company will make further announcement(s) as and when appropriate. None of them is a former partner of the Company's existing auditing firm. Mr. Cheung Garnok, who has appropriate professional qualifications and experience in accounting matters, was appointed as the chairman of the audit committee since 11 June 2019.

Review of annual results

The audited consolidated financial results of the Group for the year have been reviewed by the audit committee of the Company and the figures in respect of the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of financial position of the Group, and the related notes thereto for the year as set out in this announcement have been agreed by our auditors, Baker Tilly TFW LLP ("Baker Tilly"), to the amounts set out in the Group's audited consolidated financial statements for the year. The audit committee was of the opinion that the preparation of such results complied with applicable accounting standards and requirements as well as the Listing Rules and relevant adequate disclosures have been made.

Extract of independent auditor's report

The following is the extract of the drafted independent auditor's report from our auditors, Baker Tilly on the Group's consolidated financial statements for the year:

Qualified opinion

In our opinion, except for the effects of matters described in the Basis for Qualified Opinion Section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Financial assets at fair value through profit or loss

As disclosed in Notes 3 and 17 to the consolidated financial statements, the Group acquired 49% unquoted equity interest in the issued shares of D.D. Resident Co. Ltd. (the "investee") on 16 January 2020 at an agreed consideration of HK$58,000,000 (equivalent to S$10,069,000). The investee is a limited liability company incorporated in Thailand, which is the owner of a hotel property and operator of Aiyaree Place Hotel in Pattaya, Thailand. The Group recorded the investment as financial asset at fair value through profit or loss ("FVTPL") in the consolidated financial statements as at 31 December 2020.

Due to inability to obtain sufficient appropriate audit evidence, we are unable to conclude as to whether the investment of 49% equity interest in the investee should be classified as financial asset at fair value through profit or loss and accounted in accordance with IFRS 9 *Financial Instruments* or the investment should be classified as investment in associated company and equity accounting applied in accordance with IAS 28 *Investments in Associates and Joint Ventures*. We are also unable to determine the potential adjustments that would be required to the consolidated financial statements for the financial year ended 31 December 2020 if the investment should be classified and accounted as investment in associated company.

Furthermore, based on information available, we were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the appropriateness of the accounting and measurement of the option to acquire additional 51% interest from the Thailand Shareholder as described in Note 17 to the consolidated financial statements and whether the investment in these unquoted equity shares is appropriately measured at fair value in accordance with IFRS 9 *Financial Instruments*.

Management's view on the audit qualification

The management of the Company has given careful consideration to the Qualified Opinion and the basis of the Qualification and has had ongoing discussion with Baker Tilly when preparing the Group's consolidated financial statements.

The sale and purchase agreement for the acquisition of interest in the investee was signed on 31 December 2019 and completion took place on 21 January 2020. Unfortunately, soon after completion, the COVID-19 pandemic started and business travels became very difficult. There has not been sufficient time for our respective managements to work together as a team. Our management has not been kept properly appraised of the financials and operations of the investee and without the ability to travel, our management faced hurdles in exercising influence over the investee. The Company has recently engaged an external legal adviser to liaise with the investee and the vendors and, if necessary, to take such legal actions as appropriate.

Without significant influence over the management of the investee and in the absence of updated financial information from them, the management believes that it is appropriate for the investment to be valued as financial assets at FVTPL.

For the purposes of the acquisition, the Company carried out a valuation of the investee. As there is no indication of any fraud or significant impairment of the value of the investee (other than the possible short-term effects of the COVID-19), the management believes it is appropriate at this stage that the carry value of this investment is the same as before. Hence, no impairment has been made to the value of the investment. With respect to the type of audit opinion issued by Baker Tilly, the management of the Company acknowledged and agreed with the audit opinion Baker Tilly issued based on their professional and independent assessment.

Audit committee's view on the audit qualification

The audit committee of the Company had critically reviewed the audit qualification after discussion with Baker Tilly and it held the same view as Baker Tilly as to the basis of the Qualified Opinion. The audit committee of the Company will time to time closely communicate with the Board and Baker Tilly on the progress of the Qualified Opinion.

Removal of audit qualification

After discussion with Baker Tilly, the management of the Company is of the view that the Qualified Opinion will be removed when the COVID-19 pandemic is over, business operations and travels resume to normal, and the management of the Company having obtained the accounting books and records of the investee. This would give the Company better clarity about the accounting treatment of the investment, the fair value of the investee and the management's position with regards to this investment.

Appreciation

On behalf of the Board, I would like to take this opportunity to express my gratitude to the management and staff of the Group for their commitment and contribution during the year. I would also like to express my appreciation to the guidance from the regulators and continued support from our shareholders and customers.

Publication of Annual Results Announcement and Annual Report

The Company's annual results announcement is published on the website of the Stock Exchange at http://www.hkexnews.hk and the Company's website at http://www.TheSolisGrp.com.

The annual report of the Company for year ended 31 December 2020 containing all the relevant information required by Appendix 16 of the Listing Rules will be despatched to the shareholders of the Company and published on the websites of the Stock Exchange and the Company in due course.

By Order of the Board
Solis Holdings Limited
Tay Yong Hua
Executive Chairman and Executive Director

Singapore, 26 March 2021

As at the date of this announcement, the executive Directors are Mr. Tay Yong Hua, Mr. Kenneth Teo Swee Cheng (Kenneth Zhang Ruiqing) and Mr. Chen Kaiben; the non-executive Director is Mr. Lu Xianglong and the independent non-executive Directors are Mr. Cheung Garnok and Ms. Zhang Xiuyan.