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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 2021

FINANCIAL HIGHLIGHTS

Revenue increased by approximately 102.8% to approximately S\$14.6 million in 2021 from approximately S\$7.2 million in 2020.

Gross profit amounted to approximately S\$3.0 million in 2021; while there was a gross loss of approximately S\$34,000 in 2020.

Loss for the year increased by approximately 29.0% to approximately S\$4.0 million from approximately S\$3.1 million for the year ended 31 December 2020.

The Board did not recommend the payment of a final dividend for the year ended 31 December 2021 (2020: 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 2021 together with comparative figures for the year ended 31 December 2020 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	<i>Note</i>	2021 S\$'000	2020 S\$'000
Revenue	4	14,638	7,169
Cost of services		<u>(11,610)</u>	<u>(7,203)</u>
Gross profit/(loss)		3,028	(34)
Other income	5	938	1,883
Other (losses)/gains – net	5	(3,655)	13
Administrative expenses		<u>(4,314)</u>	<u>(4,991)</u>
Loss before tax	7	(4,003)	(3,129)
Tax expense	6	<u>–</u>	<u>–</u>
Loss for the year		<u>(4,003)</u>	<u>(3,129)</u>
Other comprehensive income/(loss):			
<i>Item that is or may be reclassified subsequently to profit or loss:</i>			
Fair value loss of financial assets at fair value through other comprehensive income – debt securities		(73)	–
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Surplus/(deficit) on revaluation of freehold property		1,119	(11)
Deferred tax expense relating to surplus on revaluation of freehold property		(229)	–
Surplus on changes in fair value of intangible assets		44	9
Fair value loss of financial assets at fair value through other comprehensive income – equity securities		<u>(83)</u>	<u>(30)</u>
Other comprehensive income/(loss) for the year, net of tax		<u>778</u>	<u>(32)</u>
Total comprehensive loss for the year		<u>(3,225)</u>	<u>(3,161)</u>

	<i>Note</i>	2021 S\$'000	2020 <i>S\$'000</i>
Loss attributable to:			
Owners of the Company		(4,002)	(3,129)
Non-controlling interest		(1)	*
		<u> </u>	<u> </u>
Loss for the year		<u> (4,003)</u>	<u> (3,129)</u>
Total comprehensive loss attributable to:			
Owners of the Company		(3,224)	(3,161)
Non-controlling interest		(1)	*
		<u> </u>	<u> </u>
Total comprehensive loss for the year		<u> (3,225)</u>	<u> (3,161)</u>
Loss per share of the Company (expressed in Singapore cents per share)			
Basic and diluted	8	<u> (0.44)</u>	<u> (0.34)</u>

* Amount is less than S\$1,000.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	<i>Note</i>	2021 <i>S\$'000</i>	2020 <i>S\$'000</i>
Non-current assets			
Property, plant and equipment		14,451	25,305
Investment property		–	4,177
Intangible assets		248	204
Financial assets at fair value through other comprehensive income		9,641	120
Financial asset at fair value through profit or loss	<i>14</i>	4,326	10,069
		<hr/>	<hr/>
Total non-current assets		28,666	39,875
Current assets			
Trade receivables	<i>9</i>	905	883
Other receivables, deposits and prepayments	<i>10</i>	332	368
Contract assets		3,020	1,932
Inventories		119	–
Financial assets at fair value through other comprehensive income		247	–
Amount due from ultimate holding company		–	98
Pledged fixed deposit		211	210
Cash and cash equivalents		13,955	16,599
		<hr/>	<hr/>
		18,789	20,090
Non-current asset held for sale		9,044	–
		<hr/>	<hr/>
Total current assets		27,833	20,090
		<hr/>	<hr/>
Total assets		56,499	59,965
Non-current liabilities			
Deferred tax liabilities		229	–
		<hr/>	<hr/>

	<i>Note</i>	2021 S\$'000	2020 <i>S\$'000</i>
Current liabilities			
Trade payables and trade accruals	<i>11</i>	1,660	1,996
Other payables and accrued expenses	<i>12</i>	4,069	3,597
Contract liabilities		1,688	2,293
		<hr/>	<hr/>
Total current liabilities		7,417	7,886
		<hr/>	<hr/>
Total liabilities		7,646	7,886
		<hr/>	<hr/>
Net assets		48,853	52,079
		<hr/> <hr/>	<hr/> <hr/>
Equity			
Share capital	<i>13</i>	1,585	1,585
Share premium		34,440	34,440
Retained earnings		1,634	5,608
Reserves		11,197	10,448
		<hr/>	<hr/>
Equity attributable to owners of the Company		48,856	52,081
Non-controlling interest		(3)	(2)
		<hr/> <hr/>	<hr/> <hr/>
Total equity		48,853	52,079
		<hr/> <hr/>	<hr/> <hr/>

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 Room 1302, 13F., 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 designing, building and 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 2021 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

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	
	2021	2020
	S\$’000	S\$’000
Construction contracts revenue for the designing, building and installations of mechanical and electrical systems	<u>14,638</u>	<u>7,169</u>

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	
	2021	2020
	S\$’000	S\$’000
Customer A	7,142	2,258
Customer B	1,982	787
Customer C	N/A*	2,558
Customer D	<u>N/A*</u>	<u>1,157</u>

* 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 the end of the financial year are as follows:

	Year ended 31 December	
	2021	2020
	S\$'000	S\$'000
Construction contracts revenue for the designing, building and installations of mechanical and electrical systems	<u>55,076</u>	<u>33,033</u>

The management of the Company expect that the transaction price allocated to the unsatisfied performance contracts as of the financial year ended 31 December 2021 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. Accordingly, no geographical segment analysis is presented.

5 OTHER INCOME AND OTHER (LOSSES)/GAINS – NET

	Year ended 31 December	
	2021	2020
	S\$'000	S\$'000
Other income		
Interest income	184	74
Dividend income	–	2
Government grants (<i>Note</i>)	594	1,677
Rental income from investment property	146	126
Others	14	4
	<u>938</u>	<u>1,883</u>
Other (losses)/gains – net		
Revaluation deficit on property, plant and equipment	–	(17)
Fair value gain/(loss) on investment property	478	(49)
Gain on disposal of property, plant and equipment	1,610	79
Fair value loss on financial asset at fair value through profit or loss	(5,743)	–
	<u>(3,655)</u>	<u>13</u>

Note:

- (a) Within the government grant income is an amount of S\$402,000 (2020: S\$482,000) which 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. The JSS is a temporary scheme introduced in the Singapore Budget 2020 and had been extended up to 2021 by the Singapore Government.

- (b) Within the government grant income is a foreign worker levy waiver and rebates of S\$164,000 (2020: S\$1,049,000) which was recognised during the financial year. The Singapore Government provided business employers who hire foreign workers on work permit and S-Pass with foreign worker levy to ease the labour costs of the Group.

6 TAX EXPENSE

Singapore corporate income tax has been provided for at the rate of 17% (2020: 17%) on the estimated assessable profit for the financial year ended 31 December 2021 as the Group is principally operating in Singapore.

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 (2020: Nil).

The amount of tax expense in the consolidated statement of profit or loss and other comprehensive income represents:

	Year ended 31 December	
	2021	2020
	S\$'000	S\$'000
Deferred tax on other comprehensive income		
– current financial year	229	–

The amount of income 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	
	2021	2020
	S\$'000	S\$'000
Loss before tax	(4,003)	(3,129)
Tax calculated at tax rate of 17% (2020: 17%)	(681)	(532)
Expenses not deductible for tax purposes	1,088	171
Income not subject to tax	(434)	(96)
Deferred tax assets not recognised	27	452
Others	–	5
	–	–

Included in income not subject to tax mainly comprises JSS grant income of S\$402,000 (2020: S\$482,000), gain on disposal of freehold property of S\$1,637,000 (2020: S\$Nil), and fair value gain on investment property of S\$478,000 (2020: S\$Nil).

Included in expenses not deductible for tax purposes mainly comprises fair value loss on financial asset at fair value through profit or loss of S\$5,743,000 (2020: S\$Nil).

7 LOSS BEFORE TAX

Loss before income tax is arrived at after charging:

	Year ended 31 December	
	2021	2020
	S\$'000	S\$'000
Auditor's remuneration		
– Auditors of the Company	105	100
– Other auditors (<i>Note a</i>)	–	18
Fees for the non-audit services paid to		
– Auditors of the Company	4	4
Depreciation of property, plant and equipment	422	501
Project material cost included in cost of services	4,780	4,223
Subcontractor costs included in cost of services	3,978	803
Lease expense – short term leases	–	2
Foreign currency exchange gains, net	(16)	(31)
	<u> </u>	<u> </u>

a. Includes an independent member firm of the Baker Tilly International network.

8 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	
	2021	2020
Loss attributable to the owners of the Company (S\$'000)	(4,002)	(3,129)
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share ('000)	915,600	911,469
Loss per share (S\$ cents per share)	<u>(0.44)</u>	<u>(0.34)</u>

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.

9 TRADE RECEIVABLES

	Year ended 31 December	
	2021	2020
	S\$'000	S\$'000
Trade receivables – third parties	905	883

The Group grants credit terms to customers typically up to 35 days (2020: 35 days) from the invoice date for trade receivables. As at 31 December 2021 and 31 December 2020, the ageing analysis of the third-party trade receivables, based on invoice date, are as follows:

	Year ended 31 December	
	2021	2020
	S\$'000	S\$'000
1 to 30 days	737	853
31 to 60 days	156	23
61 to 90 days	–	–
Over 90 days	12	7
	905	883

As at 31 December 2021 and 2020, 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 expected credit losses ("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 2021 and 31 December 2020.

10 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Year ended 31 December	
	2021	2020
	<i>S\$'000</i>	<i>S\$'000</i>
Deposits	97	96
Prepayments	109	83
Advances to staff	3	1
Interest receivable from financial assets at fair value through other comprehensive income	123	–
JSS grant receivable from government	–	188
	<u>332</u>	<u>368</u>

As at 31 December 2021 and 2020, 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 2021 and 31 December 2020.

11 TRADE PAYABLES AND TRADE ACCRUALS

	Year ended 31 December	
	2021	2020
	<i>S\$'000</i>	<i>S\$'000</i>
Trade payables	1,200	1,289
Trade accruals	460	707
	<u>1,660</u>	<u>1,996</u>

Trade payables at the end of the financial year 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 2021 and 31 December 2020, the ageing analysis of the trade payables, based on invoice date, are as follows:

	Year ended 31 December	
	2021	2020
	S\$'000	S\$'000
Within 90 days	876	988
Over 90 days	324	301
	<u>1,200</u>	<u>1,289</u>

The carrying amounts of trade payables approximate their fair values.

12 OTHER PAYABLES AND ACCRUED EXPENSES

	Year ended 31 December	
	2021	2020
	S\$'000	S\$'000
Accrued operating expenses	1,178	1,001
Other payables	2,795	2,332
Advance purchase consideration	95	
Deferred JSS grant income	–	264
Amount due to a former shareholder	1	–
	<u>4,069</u>	<u>3,597</u>

Included in other payables is S\$2,187,000 (2020: S\$2,155,000) which is related to the unpaid purchase consideration for acquisition in D.D. Resident Co. Ltd.. The movement during the financial year is primarily due to exchange differences. The amount is denominated in HKD.

The amount due to a former shareholder is non-trade in nature, unsecured, interest-free and repayable on demand.

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

13 SHARE CAPITAL

	2021		2020	
	<i>Number of shares</i>	<i>HK\$'000</i>	<i>Number of shares</i>	<i>HK\$'000</i>
Authorised:				
Ordinary shares of HK\$0.01 each				
At 1 January and 31 December	<u>10,000,000,000</u>	<u>100,000</u>	10,000,000,000	<u>100,000</u>
Issued and fully paid:				
At 1 January	915,600,000	1,585	840,000,000	1,454
Issuance of shares (<i>Note a</i>)	–	–	75,600,000	131
At 31 December	<u>915,600,000</u>	<u>1,585</u>	915,600,000	<u>1,585</u>

Note:

- a. On 21 January 2020, the Company issued and allotted 75,600,000 new ordinary shares by way of placement 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.

14 FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021	2020
	<i>S\$'000</i>	<i>S\$'000</i>
Unquoted equity shares – measured at FVTPL		
Financial asset at fair value through profit or loss	<u>4,326</u>	<u>10,069</u>
Movement during the year:		
Fair value at beginning of the year	10,069	–
Additions	–	10,069
Fair value change recognised in profit or loss	<u>(5,743)</u>	–
Fair value at end of the year	<u>4,326</u>	<u>10,069</u>

The unquoted equity shares represent the Group's acquisition of 49% equity interest in the issued shares of D.D. Resident Co., Ltd (the "investee") on 16 January 2020 at an agreed consideration of HKD58,000,000 (equivalent to S\$10,069,000). The investee is a limited liability company incorporated in Thailand, which is the owner and operator of Aiyaree Place Hotel in Pattaya, Thailand. In accordance with the Sales and Purchase Agreement ("SPA") dated 31 December 2019, the Group has the right to appoint/remove directors and key management personnel of the investee. In conjunction with the acquisition, the Group has also entered into an Exclusive Option Agreement with the remaining 51% shareholder of the investee (the "Thai Shareholder"), whereby the Group is granted with an irrevocable and exclusive option to purchase the 51% equity interest held by the Thai Shareholder at consideration of HKD61,200,000 (equivalent to S\$10,624,000). The Exclusive Option Agreement dated 31 December 2019 has an effective period of 2 years from 31 December 2019 subject to renewal at the option of the Group for another 2 years. The Group did not renew the Exclusive Option Agreement upon the expiry date on 30 December 2021.

The Group has classified the investment as financial asset at fair value through profit or loss at initial recognition and at the end of the financial year.

During the financial year, the management sought professional legal advice from an independent consultant and legal firm in Thailand which subsequent to year end, the Group served two legal notices respectively to (1) the vendors of the investee for the breach of various terms and conditions included in the SPA and (2) investee for the failure to send notice of meetings to the Group for the approval of audited accounts and appointment of new director. There has been no further update since the legal notices are served until the date of this report.

As at 31 December 2021, the fair value of the investment was determined by a valuation performed by an independent professional valuation firm in Thailand on 24 May 2021 using the income approach that reflects the value of the hotel property capable of producing income in the present worth of anticipated future net benefits. This fair value measurement is categorised in Level 3 of the fair value hierarchy. Changes in the fair value of financial asset at fair value through profit or loss, amounting to S\$5,743,000 is included in profit or loss as part of “other (losses)/gains – net”. Management concluded that there has been no significant change in the fair value of the hotel property from the date of valuation until 31 December 2021.

The unquoted equity shares are satisfied by the following non-cash transactions in 2020:

	2020 S\$'000
Cost of investment	10,069
Less: Issuance of shares	(7,874)
Less: Unpaid purchase consideration	(2,155)
Less: Unrealised exchange difference	(40)
	<hr/>
Net cash outflow for financial asset at fair value through profit or loss	<hr/> <hr/> –

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.

It has been two years into the Coronavirus Disease 2019 (“COVID-19”) pandemic, high uncertainty continues to surround the global economic outlook. Despite the slight recovery from the impact of the COVID-19 and the gradual reopening and resumption of economic activities in 2021, the construction sector in Singapore is still facing the same headwinds in light of market uncertainties and disruptions.

Ongoing border restrictions has led to substantial labour shortages and while border restrictions loosen in recent months, the foreign workers have to serve a quarantine period and all have to undergo regular COVID-19 testing, which effectively raised labour costs. Safety measures implemented as a result of COVID-19, including regular COVID-19 testing for workers and safe distancing measures on construction sites, have also led to a general decrease in productivity and increase in costs. New waves of infections with the ongoing new variants have disrupted supply chains for building materials, further compounding rising costs.

Tender pricings for new projects are still very competitive and challenging. This is in anticipation for the potential construction cost increase, driven by labour shortages, cost increase in key construction materials, availability of contracting resources and the implementation of the COVID safe management measures imposed by the relevant authorities. This will result to much lower profit margins for newly awarded projects and hence affecting the financial performance of the Group.

The Ministry of Trade and Industry of Singapore reported on 17 February 2022 that the Singapore economy expanded by 7.6 per cent in 2021, rebounding from the 4.1 per cent contraction in 2020. Specifically, the construction sector expanded by 20.1 per cent, a turnaround from the 38.4 per cent contraction in 2020, supported by both public and private sector construction works. The output of the construction sector is expected to remain below pre-pandemic levels throughout 2022.

While waiting for the market to return to normalcy, the management will make continuous effort to consolidate and strengthen the reputation of the Group through direct and regular contacts with main contractors in the construction industry to keep us abreast of market development and will continue to leverage its resources to improve the profitability and simultaneously take prudent measures to control the operating costs. The Group are constantly and expanding our capability in digital delivery initiatives in driving our productivity growth. This is very crucial in view of the imminent shortage of workers in the construction industry. We are prepared to embark on these initiatives while at the same time, tapping on various grants initiated by the Singapore Government.

For the year ended 31 December 2021, the Group's revenue increased by approximately 102.8% to approximately S\$14.6 million as compared to approximately S\$7.2 million recorded in the last financial year. The increase in revenue was mainly attributable to more construction activities performed during the year as compared with corresponding year which included one-month lockdown and Circuit Breaker measures due to the COVID-19 pandemic. Our gross profit increased by approximately S\$3.0 million, from a gross loss of approximately S\$34,000 for the year ended 31 December 2020 to a gross profit of approximately S\$3.0 million for the year ended 31 December 2021.

Completed projects

During the year ended 31 December 2021, the Group had completed three projects with an aggregated contract value of approximately S\$21.1 million.

Ongoing projects

As at 31 December 2021, the Group had seven ongoing projects with an aggregate contract sum of approximately S\$61.5 million, of which approximately S\$6.4 million had been recognised as revenue as at 31 December 2021. 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 2021, the Group has secured three newly awarded projects with an aggregate contract value of approximately S\$35.0 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					
	2021			2020		
	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	3	3.8	26.0	2	0.8	11.1
Public sector projects	5	10.8	74.0	5	6.4	88.9
Total	<u>8</u>	<u>14.6</u>	<u>100.0</u>	<u>7</u>	<u>7.2</u>	<u>100.0</u>

Our revenue increased by approximately S\$7.4 million or 102.8%, from approximately S\$7.2 million for the year ended 31 December 2020 to approximately S\$14.6 million for the year ended 31 December 2021. Such increase was mainly attributable to more construction activities gradually resumed in 2021 as compared to 2020 which included one-month lockdown due to the COVID-19 pandemic and Circuit Breaker Measures imposed by the Singapore Government.

Cost of services

Our cost of services increased by approximately S\$4.4 million or 61.1%, from approximately S\$7.2 million for the year ended 31 December 2020 to approximately S\$11.6 million for the year ended 31 December 2021, which was in line with the increase in revenue for the corresponding year.

Gross profit/(loss) and gross profit/(loss) margin

Our gross profit increased by approximately S\$3.0 million, from a gross loss of approximately S\$34,000 for the year ended 31 December 2020 to a gross profit of approximately S\$3.0 million for the year ended 31 December 2021. Our gross profit margin increased from a gross loss margin of approximately 0.5% for the year ended 31 December 2020 to a gross profit margin of approximately 20.7% for the year ended 31 December 2021. The increase of the gross profit and the gross profit margin were mainly due to the construction works have gradually resumed as compared to the previous year which resulted in improvement of the gross profit margin.

Other income and other (losses)/gains – net

Other income decreased by approximately S\$1.0 million, from approximately S\$1.9 million for the year ended 31 December 2020 to approximately S\$0.9 million for the year ended 31 December 2021. Such decrease was mainly attributable to the decrease in government subsidies granted from the Singapore Government to assist business to defray the cost caused by the COVID-19 pandemic during the year in consideration of the gradual recovery of the economic activities.

Other losses – net for the year ended 31 December 2021 is due to the fair value loss on financial asset at fair value through profit or loss which is offset by the gain on disposal of a freehold property and fair value gain on investment property.

Administrative expenses

The administrative expenses of the Group decreased by approximately S\$0.7 million or 14.0%, from approximately S\$5.0 million for the year ended 31 December 2020 to approximately S\$4.3 million for the year ended 31 December 2021. Such decrease was mainly due to the resumption of business activities and there was no significant idle cost incurred during the year as compared to the corresponding year.

Tax expense

As the Group did not record any assessable profits for both years, there was no income tax expense recorded.

Loss for the year

Loss for the year ended 31 December 2021 increased by approximately 29.0% to approximately S\$4.0 million from approximately S\$3.1 million for the year ended 31 December 2020.

Final dividend

The Board did not recommend the payment of a final dividend for the year ended 31 December 2021 (2020: 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 2021. As at 31 December 2021, the Group had cash and bank balances of approximately S\$14.0 million (2020: approximately S\$16.6 million) and available unutilised banking facilities of approximately S\$4.8 million (2020: approximately of S\$4.8 million).

As at 31 December 2021, the Group has no interest-bearing borrowings (2020: Nil). The Group's current ratio was approximately 3.8 times (2020: approximately 2.5 times) and gearing ratio was Nil% for both years.

Pledge of assets

As at 31 December 2021, the Group had pledged fixed deposits of approximately S\$0.2 million (2020: approximately S\$0.2 million) to secure the banking facilities granted to the Group. The Group's owned property with a fair value amounted to approximately S\$13.5 million (2020: two owned properties with a fair value amounted to approximately S\$20.3 million) has been pledged under a mortgage to secure the banking facilities with one bank (2020: two banks). The Group's freehold property classified as held for sale with a fair value amounted to approximately S\$9.0 million has been pledged under a mortgage to secure the banking facilities with another bank.

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\$1.0 million (2020: approximately S\$1.5 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 2021, 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 2021, 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 2021, 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 financial assets at fair value through other comprehensive income, financial asset at fair value through profit or loss and properties held by the Group, as at 31 December 2021, the Group did not have any other investment in equity interest in any other company.

Employees and remuneration policies

As at 31 December 2021, the Group had a total of 142 employees (2020: 129 employees), including executive Directors. Total staff costs (including Directors' emoluments) were approximately S\$5.6 million for the year ended 31 December 2021 (approximately S\$5.5 million for the year ended 31 December 2020).

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 2021.

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

Up to 31 December 2021, 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 5 October 2021 (the “Supplemental Announcement”) as follows:

Use of Net Proceeds	Remaining net proceeds available as at 30 June 2021 (S\$' million)	Adjusted use of net proceeds as stated in the announcement of the Company dated 5 October 2021 (S\$' million)	Utilised amount as at 31 December 2021 (S\$' million)	Remaining net proceeds available as at 31 December 2021 (S\$' million)
Increase our workforce	0.3	–	–	–
Purchase of machinery and equipment, and lorries	0.4	–	–	–
Purchase of additional property	–	–	–	–
Expand our internal competencies	1.8	–	–	–
Build our competencies in building information model (“BIM”)	0.5	–	–	–
General working capital	5.3	–	–	–
Investment in bonds	–	8.3	8.3	–
Total	<u>8.3</u>	<u>8.3</u>	<u>8.3</u>	<u>–</u>

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 2021, 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 2021.

Annual General Meeting (the “AGM”)

The AGM of the Company (the “AGM”) will be held on 17 June 2022 (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 2022 (Tuesday) to 17 June 2022 (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 13 June 2022 (Monday).

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 2021, the audit committee comprises three independent non-executive Directors, namely Mr. Cheung Garnok (Chairman), Ms. Zhang Xiuyan and Mr. Kwong Choong Kuen (Huang Zhongquan). None of them is a former partner of the Company’s existing auditing firm within two years immediately prior to their respective date of appointment. All of them do not have material interest in any principal business activity of nor is or was involved in any material business dealings with the Group or with any core connected persons (as defined in the Listing Rules) of the Group within one year immediately prior to their respective date of appointment. Mr. Cheung Garnok, who has appropriate professional qualifications and experience in accounting matters, was appointed as the chairman of the audit committee.

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 2021, 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 asset at fair value through profit or loss

As disclosed in Notes 3 and 16 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 HKD58,000,000 (equivalent to S\$10,069,000). The investee is a limited liability company incorporated in Thailand, which is the owner and operator of a hotel property, 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 and 31 December 2021. As at 31 December 2021, the investment is carried at fair value of S\$4,326,000, and a fair value loss on FVTPL amounting to S\$5,743,000 is recognised in the profit or loss.

Due to inability to obtain sufficient appropriate audit evidence and in view of the lack of new development during current financial year as described in Note 16, 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 for in accordance with IFRS 9 Financial Instruments or as investment in associated company and equity accounted for in accordance with IAS 28 Investments in Associates and Joint Ventures. We are also unable to determine the potential adjustments to and disclosures in the consolidated financial statements for the financial year ended 31 December 2021 and 31 December 2020 should the investment be classified and accounted for as an investment in associated company. In addition, we are unable to satisfy ourselves and we are unable to determine the extent of adjustments and additional disclosures necessary in respect of the fair value of the unquoted equity shares and the fair value loss recognised in profit or loss for the investment to be appropriately measured in accordance with IFRS 9 Financial Instruments, including those presented as corresponding figures.

Furthermore, our audit opinion on the consolidated financial statements for financial year ended 31 December 2020 was qualified as 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 Thai Shareholder (“Option”) as described in Note 16 to the consolidated financial statements. Our opinion on the current year’s consolidated financial statements is also modified because we are unable to determine the potential adjustment and disclosures that would be required in the current year’s consolidated financial statements with respect to the expiry of the Option in the current financial year.

The consolidated financial statements for the financial year ended 31 December 2020 were qualified for the same reason as stated above.

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.

During the financial year, the management sought professional legal advice from an independent consultant and legal firm in Thailand which subsequent to year end in January 2022, the Group served two legal notices respectively to (1) the vendors of the investee for the breach of various terms and conditions included in the SPA and (2) investee for the failure to send notice of meetings to the Group for the approval of audited accounts and appointment of new director. There has been no further update since the two legal notices are served until the date of this announcement. The management will continue to liaise with the legal professionals and if necessary and appropriate, we will seek a potential lawsuit against the vendors.

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 continue to be valued as financial asset at FVTPL.

With respect to the qualified 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 from 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 only if the Group resolves the existing issues with the vendors. This will hence give the Company a better clarity about the accounting treatments of the investment, the fair value of the investee and the management's position with regards to this investment for the best commercial interest of the Group.

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 2021 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, 30 March 2022

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