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 2022

FINANCIAL HIGHLIGHTS

Revenue decreased by approximately 6.2% to approximately S$13.7 million in 2022 from approximately S$14.6 million in 2021.

Gross profit decreased by approximately 30.0% to approximately S$2.1 million in 2022 from approximately S$3.0 million in 2021.

Loss for the year decreased by approximately 77.5% to approximately S$0.9 million from approximately S$4.0 million in 2021.

The Board did not recommend the payment of a final dividend for the year ended 31 December 2022 (2021: 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 2022 together with comparative figures for the year ended 31 December 2021 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Note	2022 S$'000	2021 S$'000
Revenue	4	**13,693**	14,638
Cost of services		**(11,604)**	(11,610)
Gross profit		**2,089**	3,028
Other income	5	**2,773**	938
Other losses – net	5	**(20)**	(3,655)
Administrative expenses		**(5,228)**	(4,314)
Finance costs	6	**(60)**	–
Share of losses of joint venture		**(465)**	–
Loss before tax	8	**(911)**	(4,003)
Tax expense	7	**–**	–
Loss for the year		**(911)**	(4,003)
Other comprehensive income/(loss):			
Item that is or may be reclassified subsequently to profit or loss:			
Fair value gain/(loss) of financial assets at fair value through other comprehensive income – debt securities		**8**	(73)
Items that will not be reclassified subsequently to profit or loss:			
Surplus on revaluation of freehold land and building		**1,329**	1,119
Deferred tax expense relating to surplus on revaluation of freehold property		**–**	(229)
(Deficit)/surplus on changes in fair value of intangible assets		**(2)**	44
Fair value loss of financial assets at fair value through other comprehensive income – equity securities		**(978)**	(83)
Other comprehensive income for the year, net of tax		**357**	778
Total comprehensive loss for the year		**(554)**	(3,225)

	Note	2022 S$'000	2021 S$'000
Loss attributable to:			
Owners of the Company		**(911)**	(4,002)
Non-controlling interest		**–***	(1)
Loss for the year		**(911)**	(4,003)
Total comprehensive loss attributable to:			
Owners of the Company		**(554)**	(3,224)
Non-controlling interest		**–***	(1)
Total comprehensive loss for the year		**(554)**	(3,225)
Loss per share of the Company (expressed in Singapore cents per share)			
Basic and diluted	*9*	**(0.10)**	(0.44)

* Amount is less than S$1,000.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	Note	**2022** *S$'000*	2021 *S$'000*
Non-current assets			
Property, plant and equipment		**25,030**	14,451
Investment property		**–**	–
Right-of-use assets		**335**	–
Intangible assets		**62**	248
Investment in joint venture		**–**	–
Financial assets at fair value through other comprehensive income		**9,102**	9,641
Financial asset at fair value through profit or loss	*15*	**4,237**	4,326
Total non-current assets		**38,766**	28,666
Current assets			
Trade receivables	*10*	**562**	905
Other receivables, deposits and prepayments	*11*	**516**	332
Contract assets		**3,782**	3,020
Inventories		**48**	119
Financial assets at fair value through other comprehensive income		**–**	247
Pledged fixed deposits		**1,711**	211
Cash and cash equivalents		**24,036**	13,955
		30,655	18,789
Non-current asset held for sale		**–**	9,044
Total current assets		**30,655**	27,833
Total assets		**69,421**	56,499
Non-current liabilities			
Bank borrowing, non-current		**5,479**	–
Lease liabilities, non-current		**189**	–
Deferred tax liabilities		**229**	229
Total non-current liabilities		**5,897**	229

	Note	2022 S$'000	2021 S$'000
Current liabilities			
Trade payables and trade accruals	*12*	**2,127**	1,660
Other payables and accrued expenses	*13*	**10,831**	4,069
Contract liabilities		**1,797**	1,688
Bank borrowing, current		**136**	–
Lease liabilities, current		**334**	–
Total current liabilities		**15,225**	7,417
Total liabilities		**21,122**	7,646
Net assets		**48,299**	48,853
Equity and reserves			
Share capital	*14*	**1,585**	1,585
Share premium		**34,440**	34,440
Retained earnings		**732**	1,634
Reserves		**11,545**	11,197
Equity attributable to owners of the Company		**48,302**	48,856
Non-controlling interest		**(3)**	(3)
Total equity		**48,299**	48,853

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 Units 903A-5, 9/F., 8 Observatory Road, 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 financial year but are not yet effective for the financial year ended 31 December 2022 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 timing of revenue recognition, major customers and geographical information of this single segment are presented.

Timing of revenue recognition

	2022	2021
	S$'000	*S$'000*
Construction contracts revenue for the designing, building and installations of mechanical and electrical systems over time	**13,693**	14,638

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:

	2022	2021
	S$'000	*S$'000*
Customer A	**4,891**	N/A *
Customer B	**2,779**	N/A *
Customer C	**2,710**	1,982
Customer D	**2,644**	N/A *
Customer E	**–**	7,142

* 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:

	2022	2021
	S$'000	*S$'000*
Construction contracts revenue for the designing, building and installations of mechanical and electrical systems as at 31 December:		
Within 1 year	**38,691**	13,517
More than 1 year	**4,238**	41,559
	42,929	55,076

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 – NET

	2022	2021
	S$'000	*S$'000*
Other income		
Interest income from banks	**598**	184
Dividend income from equity investments	**2**	–
Government grants		
– Jobs Support Scheme ("JSS") *(Note a)*	**–**	402
– Foreign worker levy waiver and rebates *(Note b)*	**147**	164
– Others	**41**	28
Management fee income charged to joint venture	**1,621**	–
Rental income	**352**	146
Others	**12**	14
	2,773	938
Other losses – net		
Fair value gain on investment property	**–**	478
Gain on disposal of property, plant and equipment	**63**	1,610
Gain on disposal of non-current asset held for sale	**317**	–
Loss on disposal of intangible assets	**(49)**	–
Loss on disposal of financial assets at fair value through other comprehensive income, net	**(182)**	–
Fair value loss on financial asset at fair value through profit or loss	**(89)**	(5,743)
Impairment loss on property, plant and equipment	**(80)**	–
	(20)	(3,655)

Note:

(a) In 2021, JSS grant income of S$402,000 represented COVID-19 business support measures implemented by the Singapore Government.

(b) Foreign worker levy waiver and rebates of S$147,000 (2021: S$164,000) 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 FINANCE COSTS

	2022	2021
	S$'000	*S$'000*
Interest expense:		
– Bank borrowing	**48**	–
– Lease liabilities	**12**	–
	60	–

7 TAX EXPENSE

Singapore corporate income tax has been provided for at the rate of 17% (2021: 17%) on the estimated assessable profit for the financial year ended 31 December 2022 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 (2021: Nil).

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

	Year ended 31 December	
	2022	2021
	S$'000	*S$'000*
Deferred tax charged to 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:

	2022	2021
	S$'000	*S$'000*
Loss before tax	**(911)**	(4,003)
Tax calculated at tax rate of 17% (2021: 17%)	**(155)**	(681)
Income not subject to tax	**(90)**	(434)
Expenses not deductible for tax purposes	**207**	1,088
Deferred tax assets not recognised	**38**	27
	–	–

Included in income not subject to tax mainly comprises JSS grant income of S$Nil (2021: S$402,000), gain on disposal of non-current asset held for sale of S$317,000 (2021: S$Nil), gain on disposal of freehold property of S$Nil (2021: S$1,604,000), and fair value gain on investment property of S$Nil (2021: S$478,000).

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$89,000 (2021: S$5,743,000) and impairment loss on property, plant and equipment of S$80,000 (2021: S$Nil).

8 LOSS BEFORE TAX

Loss before income tax is arrived at after charging/(crediting):

	2022	2021
	S$'000	*S$'000*
Auditor's remuneration		
– Auditors of the Group	**118**	105
Fees for the non-audit services paid to		
– Auditors of the Group	**4**	4
Depreciation of property, plant and equipment	**487**	422
Depreciation of right-of-use assets	**200**	–
Dormitories expense	**117**	91
Subcontractor costs included in cost of services	**819**	3,978
Foreign currency exchange gains, net	**(22)**	(16)

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.

	2022	2021
Loss attributable to the owners of the Company *(S$'000)*	**(911)**	(4,002)
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share *('000)*	**915,600**	915,600
Loss per share *(S$ cents per share)*	**(0.10)**	(0.44)

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

	2022	2021
	S$'000	*S$'000*
Trade receivables – third parties	**562**	905

The Group grants credit terms to customers typically up to 35 days (2021: 35 days) from the invoice date for trade receivables. As at 31 December 2022 and 31 December 2021, the ageing analysis of the third-party trade receivables, based on invoice date, are as follows:

	Year ended 31 December	
	2022	2021
	S$'000	*S$'000*
1 to 30 days	**526**	737
31 to 60 days	**12**	156
61 to 90 days	**–**	–
Over 90 days	**24**	12
	562	905

As at 31 December 2022 and 2021, 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 2022 and 31 December 2021.

11 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2022	2021
	S$'000	*S$'000*
Deposits	**150**	97
Prepayments	**300**	109
Advances to staff	**3**	3
Other receivables	**4**	–
Interest receivables from financial assets at fair value through other comprehensive income	**59**	123
	516	332

As at 31 December 2022 and 2021, 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 2022 and 31 December 2021.

12 TRADE PAYABLES AND TRADE ACCRUALS

	2022	2021
	S$'000	*S$'000*
Trade payables	**1,776**	1,200
Trade accruals	**351**	460
	2,127	1,660

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 2022 and 31 December 2021, the ageing analysis of the trade payables, based on invoice date, are as follows:

	2022	2021
	S$'000	*S$'000*
Within 90 days	**1,604**	876
Over 90 days	**172**	324
	1,776	1,200

The carrying amounts of trade payables approximate their fair values.

13 OTHER PAYABLES AND ACCRUED EXPENSES

	2022	2021
	S$'000	S$'000
Accrued operating expenses	**1,804**	1,178
Other payables *(Note A)*	**2,688**	2,795
Advance purchase consideration	**–**	95
Amount due to a former shareholder *(Note B)*	**1**	1
Amount due to joint venture *(Note C)*	**6,338**	–
	10,831	4,069

Note A: Included in other payables is S$2,169,000 (2021: S$2,187,000) 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.

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

Note C: This mainly pertains to the mobilisation advance (contract liabilities) received from a third-party customer on behalf of the joint venture.

14 SHARE CAPITAL

	2022 Number of shares	**2022** HK$'000	2021 Number of shares	2021 HK$'000
Authorised:				
Ordinary shares of HK$0.01 each				
At 1 January and 31 December	**10,000,000,000**	**100,000**	10,000,000,000	100,000
Issued and fully paid:				
At 1 January and 31 December	**915,600,000**	**1,585**	915,600,000	1,585

15 FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022 *S$'000*	2021 *S$'000*
Unquoted equity shares – measured at FVTPL		
Financial asset at fair value through profit or loss	**4,237**	4,326
Movement during the year:		
Fair value at beginning of the year	**4,326**	10,069
Fair value loss recognised in profit or loss	**(89)**	(5,743)
Fair value at end of the year	**4,237**	4,326

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. 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.

In the previous financial year, the management sought professional legal advice from an independent consultant and legal firm in Thailand. 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. During the financial year, the management has used its best effort to negotiate and discuss with the vendors and investee, and conducted a site visit at Aiyaree Place Hotel in Pattaya, together with its independent consultant and legal adviser, on 4 and 5 July 2022. However, the management was only able to meet the general manager of the investee and obtained the operational information of the hotel. During the site visit, the management had also requested the financial records of the investee, but there was no response from them as at the date of this report. The management is continuing to liaise with the legal professionals and will seek potential lawsuits against the vendors and investee in due course.

As at 31 December 2022, the fair value of the investment was determined by a valuation performed by an independent professional valuation firm in Thailand on 31 December 2022 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$89,000 (2021: S$5,743,000) is included in profit or loss as part of “other losses – net” (Note 5).

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 more than two years into the Coronavirus Disease 2019 ("COVID-19") pandemic. Singapore has transited to living with COVID-19 with the progressive removal of its domestic and border restrictions. This has in turn supported the recovery from the impact of the pandemic. With the shortfall in resources, fluctuating raw material costs, project delays, and supply chain issues blowing budgets out and leading to sectoral insolvencies, the past two years have brought incredible and unprecedented challenges to the industry.

While the construction industry is slowly recovering, current macroeconomic and geopolitical factors, inevitably raise new issues for the construction industry in Singapore. Although the outlook for the construction industry is upbeat, it remains vulnerable and volatile. Supply chain disruptions, labour and material shortages and the resultant cost pressures remain the most pressing issues as these will affect tender pricings which in turn lead to much lower profit margins and hence affecting the financial performance of the Group.

The Ministry of Trade and Industry of Singapore (the "MTI") reported on 13 February 2023 that the Singapore economy improved by 3.6 per cent in 2022. MTI estimated that the GDP growth forecast for 2023 is "0.5 to 2.5 per cent". Specifically, the construction sector grew by 10.0 per cent year-on-year, faster than the 8.1 per cent growth in the third quarter, as both public and private sector construction output increased. However, the Group is mindful of the challenges ahead such as high inflation, interest rate hikes which are expected to put upward pressure on operating costs.

The Group needs to be more astute now and always factor in other cyclical economic and business uncertainties bringing us as close to predicting the future as possible. Being future-ready is the key to sustained momentum and long-term growth. The Group has also adopted a more prudent approach in tendering for new projects in view of the above headwinds and volatility of the market. The Group has to cope with the lower gross profits due to the probable cost overrun of the ongoing projects and the intense competition from other contractors for new projects. The Group will continue to pay close attention to the macroeconomic environment and implement contingency plans in a timely manner, while it continues to ensure smooth progress of its projects and practice tight cost controls. The Group will be well-equipped to rise to new challenges that may appear and will remain dedicated to preserving its market leadership while creating greater value for its shareholders.

For the year ended 31 December 2022, the Group's revenue decreased by approximately 6.2% to approximately S$13.7 million as compared to approximately S$14.6 million recorded in the last financial year. The decrease in revenue was mainly attributable to lesser construction activities performed during the year as compared with the corresponding year. Our gross profit decreased by approximately S$0.9 million, from approximately S$3.0 million for the year ended 31 December 2021 to approximately S$2.1 million for the year ended 31 December 2022.

Completed projects

During the year ended 31 December 2022, the Group completed two projects with an aggregated contract value of approximately S$7.2 million.

Ongoing projects

As at 31 December 2022, the Group had five ongoing projects (excluding the newly awarded joint venture project) with an aggregate contract sum of approximately S$55.7 million, of which approximately S$12.7 million had been recognised as revenue as at 31 December 2022. The remaining balance will be recognised as our revenue in accordance with the stage of completion.

Newly awarded project

During the year ended 31 December 2022, the Group has secured a newly awarded project with an aggregate contract value of approximately S$139.0 million. Please refer to the Company's announcement dated 22 April 2022 for more details.

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					
	2022			2021		
	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**	**5.5**	**40.1**	3	3.8	26.0
Public sector projects	**5**	**8.2**	**59.9**	5	10.8	74.0
Total	**7**	**13.7**	**100.0**	8	14.6	100.0

Our revenue decreased by approximately S$0.9 million or 6.2%, from approximately S$14.6 million for the year ended 31 December 2021 to approximately S$13.7 million for the year ended 31 December 2022. Such decrease was mainly due to a public sector project which was completed during the year ended 31 December 2021, hence there is no revenue contribution for the year. Further, 2 of the ongoing public sector projects are in the initial phase and hence lesser construction activities performed.

Cost of services

Our cost of services remained the same for both years at approximately S$11.6 million.

Gross profit and gross profit margin

Our gross profit decreased by approximately S$0.9 million, from approximately S$3.0 million for the year ended 31 December 2021 to approximately S$2.1 million for the year ended 31 December 2022. Our gross profit margin decreased from a gross profit margin of approximately 20.7% for the year ended 31 December 2021 to a gross profit margin of approximately 15.3% for the year ended 31 December 2022. The decrease in gross profit margin is mainly attributable to the current ongoing projects which have lower profit margins as compared to the corresponding year.

Other income and other losses – net

Other income increased by approximately S$1.9 million, from approximately S$0.9 million for the year ended 31 December 2021 to approximately S$2.8 million for the year ended 31 December 2022. Such increase was mainly attributable from the increase in interest income from banks, rental income and management fee income charged to joint venture which is offset by lesser government subsidies granted from the Singapore Government to assist business to defray the cost caused by the COVID-19 pandemic.

Other losses – net decreased by approximately S$3.7 million, from approximately S$ 3.7 million for the year ended 31 December 2021 to approximately S$20,000 for the year ended 31 December 2022. This is due to lower fair value loss on financial asset at fair value through profit or loss for the financial year ended 31 December 2021.

Administrative expenses

The administrative expenses of the Group increased by approximately S$0.9 million or 20.9%, from approximately S$4.3 million for the year ended 31 December 2021 to approximately S$5.2 million for the year ended 31 December 2022. Such increase was mainly due to the depreciation expense from the right-of-use assets, professional fees incurred and the increase in staff costs during the year.

Finance costs

The finance costs of the Group comprised of interest expense on bank borrowing to finance the new leasehold property purchased during the year and lease liabilities.

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 2022 decreased by approximately 77.5% to approximately S$0.9 million from approximately S$4.0 million for the year ended 31 December 2021.

Final dividend

The Board did not recommend the payment of a final dividend for the year ended 31 December 2022 (2021: 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 2022. As at 31 December 2022, the Group had cash and bank balances of approximately S$24.0 million (2021: approximately S$14.0 million) and available unutilised banking facilities of approximately S$3.5 million (2021: approximately of S$4.8 million).

As at 31 December 2022, the Group's indebtedness comprised bank borrowing and lease liabilities denominated in Singapore dollars of approximately S$6.1 million (2021: Nil).

The Group's current ratio was approximately 2.0 times (2021: approximately 3.8 times) and gearing ratio was approximately 12.1% (2021: Nil%). The increase in the gearing ratio was mainly due to the bank borrowing to finance the new leasehold property purchased during the year.

Pledge of assets

As at 31 December 2022, the Group had pledged fixed deposits of approximately S$1.7 million (2021: 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$23.0 million (2021: one owned property with a fair value amounted to approximately S$13.5 million) were pledged under a mortgage to secure the banking facilities with a 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$0.7 million (2021: approximately S$1.0 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 2022, 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 and bank facilities.

Contingent liabilities and capital commitments

As at 31 December 2022, the Group did not have any material contingent liabilities and capital commitments (2021: Nil).

Material acquisitions and disposals of subsidiaries, associates and joint ventures

During the year, the Company's operating subsidiary together with a third party have agreed to form an unincorporated contractual joint venture business solely to undertake the performance of the works and completion of a project in the agreed proportion of 70:30 respectively. Please refer to the Company's announcement dated 22 April 2022 for more details.

Save as disclosed above, the Group did not have any other material acquisitions nor disposals of subsidiaries and affiliated companies during the year ended 31 December 2022.

Significant investments held and principal properties

Save for those disclosed below and 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 2022, the Group did not have any other investment in equity interest in any other company.

Significant investment held

The Group has acquired 49% interest in D.D. Resident Co., Ltd, which is the owner and operator of a hotel property, Aiyaree Place Hotel in Pattaya, Thailand on 16 January 2020 at an agreed consideration of HKD58,000,000 (equivalent to S$10,069,000) (the "Investment"). The Investment was recorded as financial asset at fair value through profit or loss according to IFRS 9 *Financial Instruments*. As at 31 December 2022, the fair value of the Investment was approximately S$4,237,000 (2021: S$4,326,000) and accounted for around 6.1% (2021: 7.7%) of the Group's total assets. During the financial year, the Group has recognised a fair value loss of approximately S$89,000 (2021: S$5,743,000) from changes in the fair value of the Investment. At the time of acquisition of the Investment, the Company intended to broaden its asset diversity and offset the risks arising from regional operation under the sluggish market conditions in Singapore in recent years. The Company will closely monitor the developments and take appropriate actions to adjust its investment strategies and ensure continuous growth of the investment and profit of the Group.

Employees and remuneration policies

As at 31 December 2022, the Group had a total of 144 employees (2021: 142 employees), including executive Directors. Total staff costs (including Directors' emoluments) were approximately S$6.1 million for the year ended 31 December 2022 (approximately S$5.6 million for the year ended 31 December 2021).

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 2022.

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.

Following the retirement of the then independent non-executive Director, namely Ms. Zhang Xiuyan at the Annual General Meeting held on 17 June 2022, the number and composition of independent non-executive directors failed to meet the requirements under (i) Rule 3.10(1) of the Listing Rules which require the board of directors must include at least 3 independent non-executive directors; (ii) Rule 3.21 of the Listing Rules which requires the audit committee to comprise a minimum of three members; and (iii) Rule 3.25 of the Listing Rules which requires the remuneration committee to be chaired by an independent non-executive director and comprising a majority of independent non-executive directors. The Company has taken actions in identifying suitable candidate and following the appointment of Mr. Chong Pei Nung on 21 October 2022, the Company has fully complied with the requirements under Rules 3.10(1), Rule 3.21 and Rule 3.25 of the Listing Rules. For details, please refer to the announcements of the Company dated 17 June 2022 and 21 October 2022.

Save as disclosed above, the Board considers that the Company has fully complied with all the applicable principles and the code provisions as set out in the CG Code for 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 C.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 2022.

Annual General Meeting (the "AGM")

The AGM of the Company (the "AGM") will be held on 13 June 2023 (Tuesday).

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 8 June 2023 (Thursday) to 13 June 2023 (Tuesday) (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 7 June 2023 (Wednesday).

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 2022, the audit committee comprises three independent non-executive Directors, namely Mr. Cheung Garnok (Chairman), Mr. Choong Pei Nung 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 possible effects of the matter described in the Basis for Qualified Opinion section of our report, the consolidated financial statements of the Group are properly drawn up in accordance with International Financial Reporting Standards ("IFRSs") approved by the International Accounting Standards Board (the "IASB") and the disclosure requirements of the Hong Kong Companies Ordinance so as to give a true and fair view of the consolidated financial position of the Group as at 31 December 2022 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the financial year ended on that date.

Financial asset at fair value through profit or loss

As disclosed in Notes 3 and 18 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 2021 and 31 December 2022. As at 31 December 2022, the investment is carried at fair value of S$4,237,000, and a fair value loss on FVTPL amounting to S$89,000 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 18, 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 2022 and 31 December 2021 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 2021 was qualified as we were unable to determine the potential adjustments and disclosures that would be required in the consolidated financial statements for the financial year ended 31 December 2021 with respect to the expiry of the option to acquire additional 51% interest from the Thai Shareholder as described in Note 18 to the consolidated financial statements. Our opinion on the current year's financial statements is also modified before of the possible effect on the comparability of the current year's figures and the corresponding figures.

The consolidated financial statements for the financial year ended 31 December 2021 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.

In the previous financial year, the management sought professional legal advice from an independent consultant and legal firm in Thailand. 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.

During the financial year, the management has used its best effort to negotiate and discuss with the vendors and investee, and conducted a site visit at Aiyaree Place Hotel in Pattaya, together with its independent consultant and legal adviser, on 4 and 5 July 2022. However, the management was only able to meet the general manager of the investee and obtained the operational information of the hotel. During the site visit, the management had also requested the financial records of the investee, but there was no response from them as at the date of this announcement. The management is continuing to liaise with the legal professionals and will seek potential lawsuits against the vendors and investee in due course.

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 2022 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, 29 March 2023

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