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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 2017

FINANCIAL HIGHLIGHTS

Revenue decreased by approximately 6.0% to approximately S$37.6 million in 2017 from approximately S$40.0 million in 2016.

Profit for the year decreased by approximately 53.0% to approximately S$5.4 million in 2017 from approximately S$11.5 million in 2016.

Adjusted profit for the year (excluding listing expenses) decreased by approximately 25.2% to approximately S$8.6 million in 2017 from approximately S$11.5 million in 2016.

The Board did not recommend the payment of a final dividend for the year ended 31 December 2017.

ANNUAL RESULTS

The board (the "Board") of directors (the "Directors") of Solis Holdings Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2017 together with comparative figures for the year ended 31 December 2016 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the financial year ended 31 December 2017

	Note	**2017** ***S$'000***	2016 *S$'000*
Revenue	*4*	**37,570**	39,953
Cost of services		**(23,126)**	(22,302)
Gross profit		**14,444**	17,651
Other income	*5*	**122**	181
Other (losses) and gains	*5*	**(23)**	57
Administrative expenses		**(4,460)**	(4,066)
Finance costs	*6*	**(31)**	(3)
Listing expenses		**(3,151)**	—
Profit before taxation		**6,901**	13,820
Income tax expense	*7*	**(1,506)**	(2,272)
Profit for the year	*8*	**5,395**	11,548

	Note	2017 S$'000	2016 S$'000
Other comprehensive income, net of income tax			
Items that will not be reclassified subsequently to profit or loss:			
Surplus (Deficit) on revaluation of freehold property		**443**	(919)
Items that may be reclassified subsequently to profit or loss:			
Surplus (Deficit) on changes in fair value of intangible assets		**38**	(5)
Surplus (Deficit) on changes in fair value of available-for-sale investment		**39**	(4)
		77	(9)
Total comprehensive income for the year		**5,915**	10,620
Basic and diluted earnings per share (S$ cents)	*9*	**0.84**	1.83

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

	Note	2017 S$'000	2016 S$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**17,801**	12,169
Intangible assets		**192**	135
Available-for-sale investment		**164**	125
		18,157	12,429
Current assets			
Trade receivables	*11*	**5,814**	8,726
Other receivables, deposits and prepayments	*12*	**221**	466
Amounts due from customers for contract work		**11,899**	1,911
Amounts due from ultimate holding company		**5**	—
Pledged fixed deposits		**209**	208
Bank balances and cash		**30,704**	8,761
		48,852	20,072
Current liabilities			
Trade payables and trade accruals	*13*	**6,696**	3,298
Other payables and accrued expenses	*14*	**3,730**	2,122
Amounts due to customers for contract work		**344**	2,779
Obligations under finance leases		**111**	97
Income tax payable		**1,628**	2,443
Bank borrowing		**388**	—
		12,897	10,739
Net current assets		**35,955**	9,333
Total assets less current liabilities		**54,112**	21,762

	Note	2017 S$'000	2016 S$'000
Non-current liabilities			
Obligations under finance leases		**89**	191
Bank borrowing		**1,349**	—
Deferred tax liabilities		**87**	50
		1,525	241
Net assets		**52,587**	21,521
Capital and reserves			
Share capital	*15*	**1,454**	1,500
Reserves		**51,133**	20,021
Total equity		**52,587**	21,521

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL

The Company was incorporated in the Cayman Islands and registered as an exempt company with limited liability on 21 June 2017 under the Cayman Companies Law. Its registered office is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and the principal place of business in Hong Kong is at Rooms 802–804, 8th Floor, Kin Wing Commercial Building, 24–30 Kin Wing Street, Tuen Mun, New Territories, Hong Kong. The head office and principal place of business of the Group in Singapore is at 85 Tagore Lane, Singapore 787527. The shares of the Company ("Shares") have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 11 December 2017.

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 and the principal activities of its operating subsidiary is principally engaged in provision of installations of mechanical and electrical systems.

The functional currency of the Company is Singapore dollars ("S$"), which is also the functional currency of its principal subsidiaries.

2 GROUP REORGANISATION AND BASIS OF PREPARATION

To effect the group reorganisation ("Group Reorganisation") for the purpose of the listing of the Shares on the Main Board of the Stock Exchange:

(i) SME International Holdings Limited ("SME"), an investment holding company, was incorporated as a limited liability company under the laws of the BVI on 18 May 2017 and is authorised to issue a maximum of 50,000 ordinary shares with par value of United States dollar ("US$") US$1.00 each. On the date of incorporation, Mr. Tay Yong Hua, Mr. Tay Yong Meng and Mr. Kenneth Teo subscribed for, and SME allotted and issued 90 shares, 6 shares and 4 shares in SME to each of them, respectively, for cash at par.

(ii) On 31 May 2017, SME acquired 1,350,000 shares, 90,000 shares and 60,000 shares, representing the entire issued share capital of Sing Moh Electrical Engineering Pte Ltd ("Sing Moh"), from Mr. Tay Yong Hua, Mr. Tay Yong Meng and Mr. Kenneth Teo, respectively, at a nominal consideration of S$1.00 payable from each of them. Upon completion of the transfer, Sing Moh became wholly owned by SME.

(iii) On 20 June 2017, HMK was incorporated as a limited liability company under the laws of the BVI as the investment holding company of the Controlling Shareholders. On the date of incorporation, HMK is authorised to issue a maximum of 50,000 shares with par value of US$1.00 each, and Mr. Tay Yong Hua, Mr. Tay Yong Meng and Mr. Kenneth Teo subscribed for, and HMK allotted and issued 90 shares, 6 shares and 4 shares, respectively, in HMK to each of them for cash at par.

(iv) On 21 June 2017, the Company was incorporated as an exempted company with limited liability in the Cayman Islands with an authorised share capital of Hong Kong dollar ("HK$") 380,000 divided into 38,000,000 Shares with par value of HK$0.01 each. On the same day, the one initial Share was transferred from the initial subscriber to HMK.

(v) On 14 November 2017, the Company entered into a share transfer agreement with Mr. Tay Yong Hua, Mr. Tay Yong Meng and Mr. Kenneth Teo, pursuant to which the Company acquired 90 shares, 6 shares and 4 shares in SME, representing all the issued shares of SME from Mr. Tay Yong Hua, Mr. Tay Yong Meng and Mr. Kenneth Teo, respectively, in consideration of the Company issuing and allotting one new Share to HMK. Upon completion of this share swap arrangement, SME became wholly-owned by the Company and the Company therefore became the holding company of the Group.

Pursuant to the Group Reorganisation detailed above, the Company has become the holding company of the companies now comprising the Group by interspersing the Company and SME between the Controlling Shareholders as well as Sing Moh. The Group comprising the Company and its subsidiaries resulting from the Group Reorganisation is regarded as a continuing entity. Accordingly, the Historical Financial Information has been prepared as if the Company had always been the holding company of the Group.

The combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows for the year ended 31 December 2017 include the results, changes in equity and cash flows of the companies comprising the Group as if the current group structure had been in existence throughout the two years ended 31 December 2017, or since their respective date of incorporation, where there is a shorter period. The combined statements of financial position of the Group as at 31 December 2017 have been prepared to present the assets and liabilities of the companies now comprising the Group, as if the current group structure has been in existence at those dates taking into account the respective dates of incorporation, where applicable.

3 APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

On 1 January 2017, the Group has adopted all the new and revised IFRSs and Interpretations of IFRS ("INT IFRS") that are effective and relevant to its operations. The adoption of these new/revised IFRSs and INT IFRSs does not result in significant changes to the Group's accounting policies and has no material effect on the amounts reported for the current or prior periods.

At the date of issuance of these consolidated financial statements, the Group has not early applied the following new and amendments to IFRSs that have been issued but are not yet effective:

IFRS 9	Financial instruments[1]
IFRS 15	Revenue from contracts with customers and the related amendments[1]
IFRS 16	Leases[2]
IFRS 17	Insurance contracts[4]
IFRIC 22	Foreign currency transactions and advance consideration[1]
IFRIC 23	Uncertainty over income tax treatment[2]
Amendments to IFRS 2	Classification and measurement of share-based payment transactions[1]
Amendments to IFRS 4	Applying IFRS 9 Financial instruments with IFRS 4 Insurance contracts[1]
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture[3]
Amendments to IAS 40	Transfers of investment property[1]
Amendments to IFRS	Annual improvements to IFRS standards 2014–2016 cycle except for amendments to IFRS 12[1]

[1] Effective for annual periods beginning on or after 1 January 2018
[2] Effective for annual periods beginning on or after 1 January 2019
[3] Effective for annual periods beginning on or after a date to be determined
[4] Effective for annual periods beginning on or after 1 January 2021

Except as described below, the management of the Group considers that the application of the other new and revised standards and amendments is unlikely to have a material impact on the Group's financial position and performance as well as disclosure.

4 REVENUE AND SEGMENT INFORMATION

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

Information is reported to the executive directors of the Group, who are 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 no further discrete financial information nor analysis of this single segment is presented.

Major customers

The revenue from customers individually contributed over 10% of total revenue of the Group during the year are as follows:

	Year ended 31 December	
	2017	2016
	S$'000	*S$'000*
Customer A	**N/A***	13,851
Customer B	**N/A***	14,393
Customer C	**N/A***	4,507
Customer D	**18,876**	N/A*
Customer E	**8,747**	N/A*

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

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 delivered and the Group's property, plant and equipment are all located in Singapore.

5 OTHER INCOME, OTHER (LOSSES) GAINS

	Year ended 31 December	
	2017	2016
	S$'000	*S$'000*
Other income		
Interest income	**77**	73
Dividend income	**3**	2
Government grants	**42**	96
Others	**—**	10
	122	181
Other (losses) gains		
(Loss) gain on disposal of property, plant and equipment	**—**	57
Revaluation deficit of a freehold property	**(23)**	—
	(23)	57

6 FINANCE COSTS

	Year ended 31 December	
	2017	2016
	S$'000	*S$'000*
Interest expense:		
— Obligations under finance leases	**12**	3
— Bank borrowings	**19**	—
	31	3

7 INCOME TAX EXPENSE

	Year ended 31 December	
	2017	2016
	S$'000	*S$'000*
Tax expense comprises:		
Current tax		
— Singapore corporate income tax ("CIT")	**1,628**	2,261
— Overprovision in prior years	**(159)**	—
Deferred tax expense	**37**	11
	1,506	2,272

Singapore CIT is calculated at 17% of the estimated assessable profits eligible for CIT rebate of 50%, capped at S$25,000 for YA 2017, and adjusted to 40% capped at S$15,000 for YA 2018. Singapore incorporated companies can also enjoy 75% tax exemption on the first S$10,000 of normal chargeable income and a further 50% tax exemption on the next S$290,000 of normal chargeable income.

The taxation for the respective year ends can be reconciled to the profit before taxation per the statements of profit or loss and other comprehensive income as follows:

	Year ended 31 December	
	2017	2016
	S$'000	*S$'000*
Profit before taxation	**6,901**	13,820
Tax at applicable tax rate of 17%	**1,173**	2,349
Tax effect of expenses not deductible for tax purpose	**82**	38
Tax effect of income not taxable for tax purpose	**—**	(12)
Effect of tax concessions and partial tax exemptions	**(205)**	(103)
Effect of different tax rates of the Company and subsidiary operating in other jurisdictions	**615**	—
Overprovision of tax in prior years	**(159)**	—
Income tax expense	**1,506**	2,272

8 PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging:

	Year ended 31 December	
	2017	2016
	S$'000	*S$'000*
Depreciation of property, plant and equipment	**434**	334
Auditor's remuneration	**140**	64
Directors' remuneration (including contributions to CPF)	**1,268**	1,040
Other staff costs		
— Salaries and other benefits	**7,854**	8,951
— Contributions to CPF	**262**	274
Total staff costs *(Note a)*	**9,384**	10,265
Subcontractor costs recognised as cost of services	**2,788**	891
Minimum lease payments under operating leases *(Note b)*	**478**	550

Note:

a. Staff costs of S$7,160,000 (2016: S$7,975,000) are included in cost of services.

b. Lease payments of Nil (2016: S$7,000) are included in cost of services.

9 EARNINGS PER SHARE

	Year ended 31 December	
	2017	2016
Profit attributable to the owners of the Company (S$'000)	**5,395**	11,548
Weighted average number of Shares in issue ('000)	**642,082**	630,000
Basic and diluted earnings per Share (S$ cents)	**0.84**	1.83

The calculation of basic earnings per Share is based on the profit for the year attributable to owners of the Company and the weighted average number of Shares in issue. The number of Shares for the purpose of calculating basic earnings per share for the year ended 31 December 2016 is based on 629,999,998 Shares, which were issued pursuant to the capitalisation issue as detailed in Note 15 and share issued pursuant to the Group Reorganisation which is deemed to have been issued since 1 January 2016.

Diluted earnings per Share is the same as the basic earnings per Share because the Group has no dilutive securities that are convertible into Shares during the years ended 31 December 2017 and 2016.

10 DIVIDENDS

During the financial year ended 31 December 2016, Sing Moh declared dividend of S$4.67 per ordinary share totalling S$7,000,000 in respect of the financial year ended 31 December 2015 and dividend of S$2 per ordinary share totalling S$3,000,000 in respect of the financial year ended 31 December 2016. The total dividends were paid out to the then shareholders in 2016 before the Group Reorganisation.

During the financial year ended 31 December 2017, SME declared and paid dividend of S$2 per ordinary share totalling S$3,000,000 in respect of the financial year ended 31 December 2016 to the then shareholders before the Group Reorganisation.

No other dividend has been declared by the Company or Group's subsidiaries during the year or subsequent to the year end.

11 TRADE RECEIVABLES

	Year ended 31 December	
	2017	2016
	S$'000	*S$'000*
Trade receivables	**1,696**	4,746
Retention receivables *(Note)*	**4,118**	3,980
	5,814	8,726

Note: Retention monies withheld by customers of contract works are released by stages on substantial completion and on final completion, which is after the defect liability period of the relevant contracts ranging from 12 to 18 months. Included in the retention receivables are carrying amounts of approximately S$829,000 (2016: S$2,631,000) which is expected to be recovered after 12 months of the reporting period.

The Group grants credit terms to customers typically up to 35 days from the invoice date for trade receivables (2016: 35 days).

The table below is an analysis of trade receivables as at year end:

Analysis of trade receivables:

	Year ended 31 December	
	2017	2016
	S$'000	*S$'000*
Not past due and not impaired	**1,483**	3,331
Past due but not impaired	**213**	1,415
	1,696	4,746

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

	Year ended 31 December	
	2017	2016
	S$'000	*S$'000*
1 to 30 days	**1,499**	3,344
31 to 60 days	**192**	774
61 to 90 days	**—**	203
Greater than 90 days	**5**	425
	1,696	4,746

The following is an analysis of trade receivables that are past due but not impaired by age, presented based on the due date at the end of each reporting period:

	Year ended 31 December	
	2017	2016
	S$'000	*S$'000*
1 to 30 days	**203**	787
31 to 60 days	**5**	204
61 to 90 days	**—**	385
Greater than 90 days	**5**	39
	213	1,415

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.

As at 31 December 2017, included in the Group's trade receivables are carrying amounts of S$213,000 (2016: S$1,415,000) for which the Group has not provided for impairment loss as there has not been a significant change in credit quality and amounts are still considered recoverable based on repayment history of respective customers.

In determining the recoverability of trade receivables, the management of the Group considers any change in the credit quality of the trade receivables from the initial recognition date to the end of the reporting period. In the opinion of the management of the Group, the trade receivables at the end of each reporting period are of good credit quality which considering the high credibility of these customers, good track record with the Group and subsequent settlement, the management believes that no impairment allowance is necessary in respect of the remaining unsettled balances.

The Group does not hold any collateral over these balances.

12 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Year ended 31 December	
	2017	2016
	S$'000	*S$'000*
Deposits	**82**	107
Prepayments	**134**	297
Advances to staff	**5**	33
Other receivables	**—**	29
	221	466

13 TRADE PAYABLES AND TRADE ACCRUALS

	Year ended 31 December	
	2017	2016
	S$'000	*S$'000*
Trade payables	**3,285**	2,905
Trade accruals	**3,411**	393
	6,696	3,298

The credit period on purchases from suppliers and subcontractors is between 30 to 90 days or payable upon delivery. The following is an aged analysis of trade payables presented based on the invoice date at the end of each reporting year:

	Year ended 31 December	
	2017	2016
	S$'000	*S$'000*
Within 90 days	**3,061**	2,645
91 days to 120 days	**224**	260
	3,285	2,905

14 OTHER PAYABLES AND ACCRUED EXPENSES

	Year ended 31 December	
	2017	2016
	S$'000	*S$'000*
Accrued operating expenses	**2,253**	1,660
Accrued listing expenses	**897**	—
Other payables	**580**	462
	3,730	2,122

15 SHARE CAPITAL

For the purpose of presenting the share capital of the Company prior to the Group Reorganisation in the consolidated statement of financial position, the balance as at 1 January 2017 represented the share capital of Sing Moh as the Company was incorporated in the Cayman Islands on 21 June 2017.

The Company was successfully listed on the Main Board of the Stock Exchange on 11 December 2017 by way of placing of 105,000,000 ordinary shares and public offer of 105,000,000 new shares at the price of HK$0.85 per share ("Share Offer"). All issued Shares rank pari passu in all respect with each other.

	Number of shares	**Share capital**
		HK$'000
Authorised share capital of the Company:		
At date of incorporation on 21 June 2017 *(Note a)*	38,000,000	380
Increase on 14 November 2017	9,962,000,000	99,620
At 31 December 2017	10,000,000,000	100,000

	Number of shares	**Share capital**
		S$'000
Issued and fully paid of the Company:		
At date of incorporation on 21 June 2017 *(Note a)*	1	—
Issue of shares pursuant to the Group Reorganisation *(Note c)*	1	—
Issue of shares under the capitalisation issue *(Note d)*	629,999,998	1,090
Issue of shares under the Share Offer	210,000,000	364
At 31 December 2017	840,000,000	1,454
Issued and fully paid of Sing Moh:		
At 31 December 2016	1,500,000	1,500

Note:

a. On 21 June 2017, the Company was incorporated as an exempted company with limited liability in the Cayman Islands with an authorised share capital of HK$380,000 divided into 38,000,000 Shares with par value of HK$0.01 each. On the same day, the one initial Share was transferred from the initial subscriber to HMK.

b. Pursuant to the written resolutions passed on 14 November 2017, the Company increased its authorised share capital from HK$380,000 to HK$100,000,000 by the creation of an additional 9,962,000,000 Shares of HK$0.01 each which rank pari passu in all respect with existing Shares.

c. On 14 November 2017, a share was allotted and issued upon the share swap arrangement as set out in note 2(v).

d. On 11 December 2017, 629,999,998 shares were issued to the then shareholders on 14 November 2017 of passing the resolution on a pro-rata basis through capitalisation of HK$6,300,000 (equivalent to approximately S$1,090,000) standing to credit of share premium account of the Company. All issued shares rank pari passu in all respect with each other of HK$0.01 each.

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 25 years and specialises in electrical engineering, and the projects are in relation to new building developments and major additions and alterations ("A&A") works, which include private residential, mixed residential and commercial developments and institutional buildings.

The Group has distinguished itself to be at the forefront of Singapore's M&E industry developments. The Group has successfully partnered with reputable contractors, for M&E projects that span different market segments including residential, commercial, institutional, educational, and industrial market segments. Led by a very experienced management team and armed with a strong track record of successful public and private sectors projects, the Group has, through the years, established itself as a highly competitive and reliable outfit, with an uncanny ability to enhance its business reach and secure new contract tenders.

Our Group is mainly registered under various M&E workheads under the Contractors Registration System that is administered by the Building and Construction Authority of Singapore. Out of our registered workheads, we are graded L6 under the ME05 "Electrical engineering" workhead, L5 under ME15 "Integrated building services" workhead and L4 under ME04 "Communication and security systems" workhead which allow us to tender directly for Singapore public sector projects of unlimited amount, up to S$13 million and up to S$6.5 million respectively.

In the financial year ended 31 December 2017, the Group's revenue decreased by 6.0% to approximately S$37.6 million as compared to approximately S$40.0 million recorded in the last financial year. The decrease in revenue was mainly due to the decrease in revenue contributed by public sector projects from approximately S$14.0 million for the year ended 31 December 2016 to approximately S$10.8 million for the year ended 31 December 2017. The lower revenue resulted in a 18.6% decrease in gross profit to approximately S$14.4 million as compared to approximately S$17.7 million recorded in the last financial year. Gross profit margin for the year ended 31 December 2017 was 5.9% lower than the 44.2% achieved in the last financial year.

Completed projects

During the year ended 31 December 2017, the Group had completed three projects with an aggregated contract value of approximately S$29.0 million.

Ongoing projects

As at 31 December 2017, the Group had six ongoing projects with an aggregate contract sum of approximately S$63.2 million, of which approximately S$33.6 million had been recognised as revenue as at 31 December 2017. The remaining balance will be recognised as our revenue in accordance with the stage of completion.

The management considered that all of the ongoing projects were on schedule and none of which would cause the Group to indemnify the third parties and increase the contingent liabilities. The details of ongoing projects as at 31 December 2017 are as follows:

Type of building development	**Sector**	**Scope of works**	**Contract sum[(1)]** *S$ million*	**Expected completion date**
Mixed residential and commercial	Private	Design and Build, and installations of M&E systems	22.3	August 2018
Institutional	Public	Build and installation of M&E systems	12.8	July 2018
Mixed residential and commercial	Private	Build and installation of M&E systems	7.1	July 2018
Education institutional	Public	Build and installation of M&E systems	9.0	Third Quarter of 2019
Private residential	Private	Design and Build, and installations of M&E systems	6.7	Third Quarter of 2019
Educational institution	Public	Build and installation of M&E systems	5.3	June 2019

Note:

(1) The contract sum includes variation orders received to-date where we performed additional works to the originally contracted.

Newly awarded projects

During the year ended 31 December 2017, the Group has secured three newly awarded contracts with an aggregated contract value of approximately S$21.0 million. Details of the newly awarded projects are as follows:

Type of building development	Sector	Scope of works	Contract value *S$ million*	Expected completion date
Education institutional	Public	Build and installation of M&E systems	9.0	Third Quarter of 2019
Private residential	Private	Design and Build, and installations of M&E systems	6.7	Third Quarter of 2019
Educational institution	Public	Build and installation of M&E systems	5.3	June 2019

The M&E industry in Singapore and the region is expected to remain challenging in the next 12 months with continuous pressures on contract values and stiff competition for new projects. Nonetheless, with the development of Singapore real estate industry, the number of newly built buildings has grown rapidly, especially the private residential housing properties and executive condominiums. Moreover, Singapore government is actively pushing the development of tourism industry, which brings substantial demand for A&A works for commercial buildings, such as hotels, retail buildings and restaurants to attract more tourists. In this case, there are more business opportunities for M&E solution service providers in the market.

Our past sound track record will put us in good stead for future growth. To meet the potential demand of the projects, we have put in place a dedicated and experienced team to tender for the projects. The Group will continue to leverage its resources to improve the profitability and simultaneously take prudent measures to control the operating costs.

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					
	2017			2016		
	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	**9**	**26.8**	**71.3**	9	26.0	65.0
Public sector projects	**5**	**10.8**	**28.7**	2	14.0	35.0
Total	**14**	**37.6**	**100.0**	11	40.0	100.0

Our revenue decreased by approximately S$2.4 million or 6.0%, from approximately S$40.0 million for the year ended 31 December 2016 to approximately S$37.6 million for the year ended 31 December 2017, which was mainly due to the decrease in revenue contributed by public sector projects from approximately S$14.0 million for the year ended 31 December 2016 to approximately S$10.8 million for the year ended 31 December 2017. Such decrease in revenue was mainly due to the decrease in the work performed for a public sector project, which the majority of the work for such project had already been performed during the year ended 31 December 2016. In particular, the public sector project had contributed to our Group's revenue of approximately S$13.9 million for the year ended 31 December 2016, which is higher than the revenue contribution of approximately S$0.2 million for the year ended 31 December 2017. On the other hand, revenue contributed by private sector projects increased from approximately S$26.0 million for the year ended 31 December 2016 to approximately S$26.8 million for the year ended 31 December 2017, mainly due to more works performed for a private sector project which contributed revenue of approximately S$18.9 million for the year ended 31 December 2017 (and only approximately S$2.8 million for the year ended 31 December 2016). Aside from the aforementioned projects, there were increases and decreases in revenue recognised from our projects due to varying amount of works performed in different financial periods.

Cost of services

Our cost of services increased slightly by approximately S$0.8 million or 3.6%, from approximately S$22.3 million for the year ended 31 December 2016 to approximately S$23.1 million for the year ended 31 December 2017, which was mainly due to the increase in our subcontracting costs from approximately S$0.9 million for the year ended 31 December 2016 to approximately S$2.8 million for the year ended 31 December 2017. Such increase in subcontracting costs was attributable to the increased subcontracting works for our projects with significant works performed during the year ended 31 December 2017.

Gross Profit and Gross Profit Margin

	For the year ended 31 December					
	2017			2016		
	Revenue	**Gross profit**	**Gross profit margin**	Revenue	Gross profit	Gross profit margin
	S$' million	***S$' million***	**%**	*S$' million*	*S$' million*	%
Private sector projects	**26.8**	**10.6**	**39.6**	26.0	10.0	38.5
Public sector projects	**10.8**	**3.8**	**35.2**	14.0	7.7	54.8
Total	**37.6**	**14.4**	**38.3**	40.0	17.7	44.2

Our gross profit decreased by approximately S$3.3 million or 18.6%, from approximately S$17.7 million for the year ended 31 December 2016 to approximately S$14.4 million for the year ended 31 December 2017. The gross profits and gross profit margin decreased for public sector projects due to the completion of a more profitable public sector project in 2016.

Administrative Expenses

The administrative expenses of the Group increased by approximately S$0.4 million or 9.8%, from approximately S$4.1 million for the year ended 31 December 2016 to approximately S$4.5 million for the year ended 31 December 2017. Such increase was primarily due to the unrealised exchange loss from the listing proceeds in Hong Kong dollars which amounted to S$0.4 million (2016: S$Nil).

Finance Costs

The finance costs of the Group comprised interest expenses on obligations under finance leases for our motor vehicles and bank borrowing. Our finance costs increased from approximately S$3,000 for the year ended 31 December 2016 to approximately S$31,000 for the year ended 31 December 2017. The increase was mainly due to the increase in obligations under finance leases and bank borrowing, which was related to the finance leases for our motor vehicles and drawdown of the mortgage loan for our second self-owned property acquired in March 2017.

Income Tax Expenses

The Group's income tax expenses decreased from approximately S$2.3 million for the year ended 31 December 2016 to approximately S$1.5 million for the year ended 31 December 2017. The decrease was mainly due to the decrease in assessable profits excluding the tax effect of the non-deductible listing expenses of approximately S$3.2 million incurred during the year ended 31 December 2017.

Profit Attributable to Owners of the Company

The profit attributable to owners of the Company decreased from approximately S$11.5 million for the year ended 31 December 2016 to approximately S$5.4 million for the year ended 31 December 2017, representing a decrease of approximately S$6.1 million. Excluding the listing expenses of approximately S$3.2 million, the profit for the year ended 31 December 2017 of the Group would have been approximately S$8.6 million and the decrease of profit would be approximately 25.2% compared to the corresponding year ended 31 December 2016.

Dividend

The Board did not recommend the payment of dividend for the year ended 31 December 2017.

Liquidity and Financial Resources

The Group practiced prudent financial management and maintained a strong and sound financial position during the year ended 31 December 2017. As at 31 December 2017, the Group had cash and bank balances of approximately S$30.7 million (2016: approximately S$8.8 million) and available unutilised banking facilities of approximately S$6.3 million (2016: approximately of S$3.2 million). The total interest-bearing borrowings, including bank borrowing and obligations under finance leases was approximately S$1.9 million (2016: approximately S$0.3 million), and current ratio as at 31 December 2017 was approximately 3.8 times (2016: approximately 1.9 times). As at 31 December 2017, the gearing ratio of the Group was 3.7% (2016: 1.3%).

Pledge of Assets

As at 31 December 2017, the Group had pledged fixed deposits of approximately S$0.2 million (2016: approximately S$0.2 million) to secure the banking facilities granted to the Group. The Group's owned properties with a fair value amounted to S$16.7 million (2016: S$11.0 million) were also pledged for mortgage to secure the bank facilities of S$6.3 million (2016: S$3.2 million).

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 listing proceeds in Hong Kong dollars amounting to S$28.1 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

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 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 2017, the Group did not have any material contingent liabilities and capital commitments.

Material Acquisitions and Disposals of Subsidiaries and Associated Companies

During the year ended 31 December 2017, the Group did not have any material acquisitions nor disposals of subsidiaries and affiliated companies save for those in relation to the Group Reorganisation in preparation of the listing of the Company as set out in the Company's prospectus dated 28 November 2017 (the "Prospectus").

Significant Investments Held and Principal Properties

Save for those disclosed in the Prospectus in relation to the investment in listed equity shares and properties held by the Group, as at 31 December 2017, the Group did not have any other investment in equity interest in any other company.

Employees and Remuneration Policy

As at 31 December 2017, the Group had a total of 264 employees (2016: 286 employees), including executive Directors. Total staff costs (including Directors' emoluments) were approximately S$9.4 million for the year ended 31 December 2017 as compared to approximately S$10.3 million for the year ended 31 December 2016.

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 and senior management 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 or Capital Assets

The Group does not have any other plans for material investments and capital assets as at 31 December 2017, save for the purchase of additional self-owned property, details of which are set out in the Company's Prospectus.

Comparison of Business Objectives with Actual Business Progress and Use of Proceeds

The net proceeds from the listing, after deducting listing related expenses, were approximately HK$132.2 million (approximately S$22.6 million). As at 31 December 2017, the Company has not yet utilised the proceeds from the listing as per plans as set out in the Prospectus.

The future plan and scheduled use of proceeds as disclosed in the Prospectus were based on the best estimation of future market conditions made by the Group at the time of preparing the Prospectus, while the proceeds were applied with consideration of the actual development of business and market. As of 31 December 2017, the Group does not anticipate any change to the plan as to the use of listing proceeds.

CORPORATE GOVERNANCE/OTHER INFORMATION

Purchase, Sales or Redemption of the Company's Listed Securities

The Company has not redeemed any of its shares during the period from the Listing Date to 31 December 2017. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares from 11 December 2017 to 31 December 2017.

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 period from the Listing Date to 31 December 2017.

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 period from the Listing Date to 31 December 2017.

Saved as disclosed above, during the period from the Listing Date to 31 December 2017, none of the directors, the substantial shareholders or the management shareholders 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.

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 Rules Governing the Listing of Securities on the Stock Exchange ("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 from the Listing Date to 31 December 2017.

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 during the period from the Listing Date to 31 December 2017 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.

The Board considers that the Company has complied with all the applicable principles and code provisions as set out in the CG Code during the period from the Listing Date to 31 December 2017.

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 2017.

Annual General Meeting ("AGM")

The AGM will be held on 12 June 2018 (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 6 June 2018 (Wednesday) to 11 June 2018 (Monday) (both days inclusive), during which period no transfers of shares will be registered. To determine the entitlement to attend and vote at the AGM, all transfer document, accompanied by the relevant share certificates, must be lodged with the Company's Branch Share Registrars in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 5 June 2018 (Tuesday).

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 primary duties of the Audit Committee are to review the financial information of the Group, oversee the Group's financial report system, risk management and internal control procedures, provide advice and comments to the Board, and monitor the independence and objective of the external auditor. The Audit Committee consists of three members who are all independent non-executive Directors, namely, Mr. Law Wang Chak Waltery (Chairman), Ms. Theng Siew Lian Lisa and Mr. Tan Sin Huat Dennis.

Review of Annual Results

The audited consolidated financial results of the Group for the year ended 31 December 2017 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 comprehensive income, consolidated statement of financial position of the Group, and the related notes thereto for the year ended 31 December 2017 as set out in this announcement have been agreed by our auditors, Deloitte & Touche LLP, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2017. 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.

Appreciation

I would like to thank the Board, the management and all of our staff for their hard work and dedication, as well as our shareholders and customers for their continuous support to the Group.

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 2017 containing all the relevant information required by Appendix 16 of the Listing Rules will be dispatched to the shareholders of the Company and published on the websites of the Stock Exchange and the Company in due course.

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

Singapore, 26 March 2018

As at the date of this announcement, the executive Directors are Mr. Tay Yong Hua, Mr. Tay Yong Meng and Mr. Kenneth Teo Swee Cheng (Kenneth Zhang Ruiqing); the independent non-executive Directors are Ms. Theng Siew Lian Lisa, Mr. Law Wang Chak Waltery and Mr. Tan Sin Huat Dennis.