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

SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO THE ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

Reference is made to the annual report of Solis Holdings Limited (the "**Company**", together with its subsidiaries, the "**Group**") for the year ended 31 December 2021 which was published on 29 April 2022 (the "**2021 Annual Report**"), and the announcements of the Company on discloseable transaction in relation to acquisition (the "**Acquisition**") of 49% interest in D.D. Resident Co. Ltd (the "**investee**") on 31 December 2019, 13 January 2020 and 21 January 2020 (the "**Acquisition Announcements**"). Unless otherwise stated, capitalised terms used in this announcement shall have the same meanings as those defined in the 2021 Annual Report and the Acquisition Announcements.

In addition to the information provided in the 2021 Annual Report, the board (the "**Board**") of directors (the "**Directors**") of the Company would like to provide further information in relation to the qualified opinion on the Company's financial statements for the year ended 31 December 2021 (the "**2021 Qualified Opinion**") issued by Baker Tilly TFW LLP (the "**Auditor**") and the latest development of the Acquisition.

SUPPLEMENTAL INFORMATION TO 2021 QUALIFIED OPINION

(1) Financial asset at fair value through profit and loss

As disclosed in the 2021 Annual Report, for the reasons that the Group has not had the practical ability to appoint board representation and has limited access to the relevant financial and operational information of the investee, the Group was unable to exercise significant influence and meet the criteria of recognition under IAS 28 *Investments in Associates and Joint Ventures*, and consequently the investment in the investee has been recorded as financial asset at fair value through profit or loss and accounted for in accordance with IFRS 9 *Financial Instruments*.

During the auditing period for the financial statements of the Group for the year ended 31 December 2020, the Company came to knowledge that valuation of the Option in accordance with IFRS 9 *Financial Instruments* as at the date of Exclusive Option Agreement and every reporting date using valuation methodology with changes in fair value recognise in profit or loss was required. The Company was not able to evaluate the fair value of the Option without the complete accounts and financial information of the investee. After discussion with Auditor for preparation of audited accounts of the Company for the year ended 31 December 2020, the Company understood that Auditor could only issue the qualified opinion in 2020 annual report as it was unable to ascertain the fair value of the Option without the accounts and financial information of the investee. As such, the Company did not evaluate the fair value of the Option in accordance with IFRS 9 *Financial Instruments* as at the date of Exclusive Option Agreement. The management of the Company (the "**Management**") considered that adjustments to the consolidated financial statements in the 2021 Annual Report were not required since the Option was not exercised upon the expiry of the Exclusive Option Agreement on 30 December 2021.

(2) Valuation of the investee on 24 May 2021

As disclosed in the 2021 Annual Report, the Group had appointed an independent professional valuation firm (the "**Independent Valuer**") in Thailand to perform the valuation in order to determine the fair value of the investment in the investee on 24 May 2021 by using the income approach. The income approach is based upon the economic principle that the value of the property capable of producing income is the present worth of anticipated future net benefits. Further, discounted cash flow analysis is a method of estimating the present worth of future cash flow expectancies by individually discounting each anticipated collection at an appropriate discount rate. The indicated market value by the income approach is the accumulation of the present worth of future projected year's net income.

The valuation report was prepared based on major assumptions, inter alia, (a) revenue assumptions: (i) rooms revenue was based on the number of average daily room rates and occupied rooms estimated. The valuer has also compared and reviewed the neighbouring competitive hotels based on the market survey to forecast the average daily room rates as well as the occupancy; (ii) food and beverage revenue and minor operated departmental revenue were based on projected operations of the investee which are at 15% and 5% of rooms revenue respectively; and (b) for departmental expenses and other operating expenses assumptions, the various expenses were based on the projected hotel operations.

In developing the discount rate, the Independent Valuer has obtained the discount rate guideline which is researched by the Thai Valuer Association for similar property and after consideration of the property's competitiveness, and general market conditions, a discount rate of 11% is judged to be appropriate.

As the economic development and market performance in Thailand were still affected by the continuous spread of COVID-19 in 2021 and remained similar to that in 2020, and that the accounts, books and records of the investee were not available for auditing, the Management concluded that there was no significant change in the fair value of the investment from 24 May 2021 (i.e. the date of valuation) until 31 December 2021.

VIEWS OF THE BOARD, AUDIT COMMITTEE AND THE AUDITOR

The Board will continue to work with the Vendor, Thai Shareholder and investee to obtain the outstanding accounts, books and records of the investee. The Board, the audit committee of the Company (the "**Audit Committee**") and the Auditor will work closely for solutions and appropriate accounting treatment in relation to the Acquisition. For the Option which was not renewed upon the expiry of the Exclusive Option Agreement on 30 December 2021, the Audit Committee and the Auditor will work on whether the relevant part in the 2021 Qualified Opinion can be removed within the next financial year.

UPDATES ON THE ACQUISITION

As disclosed in the Acquisition Announcements, on 31 December 2019, the Company (as purchaser), Zheng Mingqiang and MKD Group Holdings Limited (collectively, the "**Vendors**") entered into a sale and purchase agreement (the "**SPA**"), pursuant to which the Company had conditionally agreed to acquire and the Vendors had conditionally agreed to sell the Sale Shares at the consideration of HK$58,000,000 (the "**Consideration**"). The Vendor and the Company agreed that part of the Consideration, being HK$12,640,000, is to be paid by the Company through the issuance of promissory notes and is due within 12 months after the issue date (the "**Remaining Balance**"). As further disclosed in the 2021 Annual Report, the Management sought the legal advice from the independent consultant and legal adviser and issued the legal notices to the Vendors for the breach of various terms and conditions of SPA and to investee for the failure to send notice of meetings to the Group for approval of audited accounts and appointment of new director. Consequently, as advised by the legal advisers of the Group, in order to protect the interest of the Group, the Company has withheld the Remaining Balance until the issues are resolved and the breaches are remedied.

In addition, the Management has used its best effort to negotiate and discuss with the Vendors and investee, and conducted the site visit at Aiyaree Place Hotel in Pattaya, together with its independent consultant and legal adviser, on 4 and 5 July 2022. The Management was only able to meet the general manager of investee and obtained the operational information of the hotel. During the site visit, the Management had also requested for the financial records of investee, but there was still no response as at the date of this announcement.

As advised by the independent consultant and legal adviser of the Group, the Company is entitled to, (i) in the capacity as the shareholder of the investee, write to seek the assistance from the Department of Business Development in Thailand regarding the investee's failure to call for annual general meeting for the approval of audited accounts for the years ended 31 December 2020 and 2021 and to provide the relevant accounting and financial documents; and (ii) take legal actions against the investee for failure to comply with the relevant laws in Thailand. The Company is considering taking legal action to seek appropriate compensation against the Vendors for breach of the terms and conditions of the SPA.

The Acquisition has been recorded as financial asset at fair value through profit or loss according to IFRS 9 *Financial Instruments* in 2021 Annual Report. As at 31 December 2021, the fair value of the investment is S$4,326,000 and accounts for around 8% of the Company's total assets, therefore it is considered as a significant investment of the Company under Appendix 16(32)(4A)(b) and (d) of the Listing Rules. At the time of Acquisition, 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. In view of the above updates of the Acquisition, the Company will closely monitor the developments and take appropriate actions to ensure continuous growth of the investment and profit of the Group.

The additional information set out above does not affect other information contained in the 2021 Annual Report and the contents of the 2021 Annual Report remain unchanged.

The Company will issue further announcement(s) to keep the shareholders and potential investors informed of any updates to the 2021 Qualified Opinion and the Acquisition as and when appropriate.

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

Singapore, 10 August 2022

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