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 2018

FINANCIAL HIGHLIGHTS

Revenue decreased by approximately 49.5% to approximately S$19.0 million in 2018 from approximately S$37.6 million in 2017.

Gross profit decreased by approximately 57.6% to approximately S$6.1 million in 2018 from approximately S$14.4 million in 2017.

Profit for the year decreased by approximately 87.0% to approximately S$0.7 million in 2018 from approximately S$5.4 million in 2017.

Adjusted profit for the year (excluding listing expenses) decreased by approximately 91.9% to approximately S$0.7 million in 2018 from approximately S$8.6 million in 2017.

The Board did not recommend the payment of a final dividend for the year ended 31 December 2018 (2017: Nil).

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 2018 together with comparative figures for the year ended 31 December 2017 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Note	**2018**	2017
		S$'000	*S$'000*
Revenue	*4*	**19,036**	37,570
Cost of services		**(12,927)**	(23,126)
Gross profit		**6,109**	14,444
Other income	*5*	**328**	122
Other gains (losses)	*5*	**(259)**	(23)
Administrative expenses		**(4,642)**	(4,460)
Finance costs	*6*	**(40)**	(31)
Listing expenses		**—**	(3,151)
Profit before taxation		**1,496**	6,901
Income tax expense	*7*	**(759)**	(1,506)
Profit for the year	*8*	**737**	5,395
Other comprehensive income, net of income tax			
Items that will not be reclassified subsequently to profit or loss:			
Surplus on revaluation of freehold property		**2,390**	443
(Deficit) Surplus on changes in fair value of intangible assets		**(25)**	38
Deficit on changes in fair value of financial asset at fair value through other comprehensive income		**(1)**	—
		2,364	481
Items that may be reclassified subsequently to profit or loss:			
Surplus on changes in fair value of available-for-sale investment		**—**	39
Total comprehensive income for the year		**3,101**	5,915
Basic and diluted earnings per share (S$ cents)	*9*	**0.09**	0.84

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Notes	**31 December 2018 S$'000**	31 December 2017 S$'000 (Restated)*	1 January 2017 S$'000 (Restated)*
ASSETS AND LIABILITIES				
Non-current assets				
Property, plant and equipment		**29,591**	17,801	12,169
Intangible assets		**184**	192	135
Available-for-sale investment		**—**	164	125
Financial asset at fair value through other comprehensive income		**163**	—	—
		29,938	18,157	12,429
Current assets				
Trade receivables	*11*	**2,550**	1,696	4,746
Other receivables, deposits and prepayments	*12*	**613**	221	466
Contract assets		**10,579**	16,017	5,891
Amounts due from ultimate holding company		**5**	5	—
Pledged fixed deposits		**209**	209	208
Bank balances and cash		**18,339**	30,704	8,761
		32,295	48,852	20,072
Current liabilities				
Trade payables and trade accruals	*13*	**2,597**	6,696	3,298
Other payables and accrued expenses	*14*	**1,730**	3,730	2,122
Contract liabilities		**343**	344	2,779
Obligations under finance leases		**89**	111	97
Income tax payable		**376**	1,628	2,443
Bank borrowings		**392**	388	—
		5,527	12,897	10,739
Net current assets		**26,768**	35,955	9,333
Total assets less current liabilities		**56,706**	54,112	21,762

	Notes	**31 December 2018** *S$'000*	31 December 2017 *S$'000* (Restated)*	1 January 2017 *S$'000* (Restated)*
Non-current liabilities				
Obligations under finance leases		**—**	89	191
Bank borrowings		**950**	1,349	—
Deferred tax liabilities		**68**	87	50
		1,018	1,525	241
Net assets		**55,688**	52,587	21,521
Capital and reserves				
Share capital		**1,454**	1,454	1,500
Reserves		**54,234**	51,133	20,021
Total equity		**55,688**	52,587	21,521

* *The comparative information has been restated as a result of the initial application of IFRS 15 as discussed in Note 3.*

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 the 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 subsidiaries.

2 GROUP REORGANISATION AND BASIS OF PREPARATION

In 2017, 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. 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 HK$380,000 divided into 38,000,000 shares with par value of Hong Kong Dollar ("HK$") 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 the entire 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 consolidated financial statements has been prepared as if the Company had always been the holding company of the companies now comprising the Group throughout the year ended 31 December 2017, or since their respective dates of incorporation, whichever is a shorter period.

The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated 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 year ended 31 December 2017, or since their respective date of incorporation, where there is a shorter period. The consolidated 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 NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

New and amended IFRSs that are effective for the current year

At the date of this report, the Group has applied the following new and amendments to IFRSs and Interpretations that have been issued for the first time in current year:

IFRS 9	*Financial Instruments*
IFRS 15	*Revenue from Contracts with Customers*
IFRIC 22	*Foreign Currency Transactions and Advance Consideration*
Amendments to IAS 28	*As part of the Annual Improvements to IFRSs 2014–2016 Cycle*

The application of the new and amendments to IFRSs and Interpretations in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements, except as noted below.

IFRS 15 Revenue from Contracts with Customers

For the purpose of preparing and presenting the consolidated financial statements for the year ended 31 December 2018, the Group has consistently applied the accounting policies which conform with IFRSs, which are effective for the accounting period beginning on 1 January 2018. Except for the changes under IFRS 15 on the classification of retention receivables which previously classified as trade receivables and amount due from (to) customers for construction work to contract assets (liabilities), the application of IFRS 15 on 1 January 2018 has no impact on the statement of profit or loss. The amount of adjustment for each financial statement line item affected by the application of IFRS 15 is illustrated below.

Impact on assets, liabilities and equity as at 1 January 2017

	As previously reported *S$'000*	IFRS 15 adjustments *S$'000*	As restated *S$'000*
Trade receivables	8,726	(3,980)	4,746
Contract assets	—	5,891	5,891
Amount due from customers for construction work	1,911	(1,911)	—
Amount due to customers for construction work	(2,779)	2,779	—
Contract liabilities	—	(2,779)	(2,779)
Total effect on net assets		—	

Impact on assets, liabilities and equity as at 31 December 2017

	As previously reported *S$'000*	IFRS 15 adjustments *S$'000*	As restated *S$'000*
Trade receivables	5,814	(4,118)	1,696
Contract assets	—	16,017	16,017
Amount due from customers for construction work	11,899	(11,899)	—
Amount due to customers for construction work	(344)	344	—
Contract liabilities	—	(344)	(344)
Total effect on net assets		—	

Impact on consolidated cash flows as at 31 December 2017

	As previously reported *S$'000*	IFRS 15 adjustments *S$'000*	As restated *S$'000*
Trade receivables	2,912	138	3,050
Contract assets	—	(10,126)	(10,126)
Amount due from customers for construction work	(9,988)	9,988	—
Amount due to customers for construction work	(2,435)	2,435	—
Contract liabilities	—	(2,435)	(2,435)
Net effect on cash from operating activities		—	

The Group has applied IFRS 15 in accordance with the fully retrospective transitional approach without using the practical expedients for completed contracts in IFRS 15:C5(a), and (b), or for modified contracts in IFRS 15:C5(c) but using the expedient in IFRS 15:C5(d) allowing both non-disclosure of the amount of the transaction price allocated to the remaining performance obligations, and an explanation of when it expects to recognise that amount as revenue for all reporting periods presented before the date of initial application, i.e. 1 January 2018.

IFRS 9 Financial Instruments

For the purpose of preparing and presenting the consolidated financial statements for the year ended 31 December 2018, the Group has consistently applied the accounting policies which conform with IFRSs, which are effective for the accounting period beginning on 1 January 2018 throughout the two years ended 31 December 2018. Except for the change in classification of available-for-sale investments under IAS 39 to financial asset at fair value through other comprehensive income ("FVTOCI") under IFRS 9, the application of IFRS 9 on 1 January 2018 has no impact on the Group financial position of the Group with regard to classification and measurement of financial instruments nor has any material additional impairment been recognised upon application of expected loss approach as at same date.

New and amendments of IFRSs in issue but not yet effective

At the date of this report, the Group has not early applied the following new and amendments to IFRSs that have been issued but are not yet effective:

IFRS 16	Leases[1]
IFRIC 23	Uncertainty over Income Tax Treatments[1]
Amendments to IFRS 3	Definition of a Business[2]
Amendments to IFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to IAS 1 and IAS 8	Definition of Material[3]
Amendments to IFRSs	Annual Improvements to IFRS Standards 2015–2017 Cycle[1]

[1] Effective for annual periods beginning on or after 1 January 2019.

[2] Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

[3] Effective for annual periods beginning on or after 1 January 2020.

The management of the Group considers that the application of the other new and amendments to IFRSs 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 construction 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 only disclosures on services, major customers and geographical information of this single segment are presented.

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

	Year ended 31 December	
	2018	2017
	S$'000	*S$'000*
Revenue from:		
Installations of mechanical and electrical systems	**19,036**	37,570

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	
	2018	2017
	S$'000	*S$'000*
Customer A	**3,312**	N/A*
Customer B	**3,265**	N/A*
Customer C	**2,390**	N/A*
Customer D	**2,154**	18,876
Customer E	**3,338**	8,747

* The corresponding revenue did not contribute over 10% of the total revenue of the Group.

The following table shows the aggregate amount of the transaction price allocated to performance obligations are unsatisfied (or partially unsatisfied) as at the end of the reporting period.

As permitted under the transitional provisions in IFRS 15, the transaction price allocated to (partially) unsatisfied performance obligations as of 31 December 2017 is not disclosed.

	Year ended 31 December 2018
	S$'000
Installations of mechanical and electrical systems	**25,237**

Management expects that the transaction price allocated to the unsatisfied performance obligations as of 31 December 2018 will be recognised as revenue varying from 1 to 2 years according to the contract period.

Geographical information

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

5 OTHER INCOME, OTHER GAINS (LOSSES)

	Year ended 31 December	
	2018	2017
	S$'000	*S$'000*
Other income		
Interest income	**128**	77
Dividend income	**3**	3
Government grants	**141**	42
Rental income	**56**	—
	328	122
Other gains (losses)		
Gain on disposal of property, plant and equipment	**4**	—
Revaluation deficit on properties	**(263)**	(23)
	(259)	(23)

6 FINANCE COSTS

	Year ended 31 December	
	2018	2017
	S$'000	*S$'000*
Interest expense:		
— Obligations under finance leases	**8**	12
— Bank borrowings	**32**	19
	40	31

7 INCOME TAX EXPENSE

	Year ended 31 December	
	2018	2017
	S$'000	*S$'000*
Tax expense comprise:		
Current tax		
— Singapore corporate income tax ("CIT")	**376**	1,628
— Under (Over) provision in prior years	**402**	(159)
Deferred tax expense	**(19)**	37
	759	1,506

Singapore CIT is calculated at 17% of the estimated assessable profits eligible, for CIT rebate of 40%, capped at S$15,000 for YA 2018, and adjusted to 20% capped at S$10,000 for YA 2019. 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	
	2018	2017
	S$'000	*S$'000*
Profit before taxation	**1,496**	6,901
Tax at applicable tax rate of 17% (2017: 17%)	**254**	1,173
Tax effect of expenses not deductible for tax purpose	**143**	697
Effect of tax concessions and partial tax exemptions	**(40)**	(205)
Under (Over) provision of tax in prior years	**402**	(159)
Income tax expense	**759**	1,506

8 PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging:

	Year ended 31 December	
	2018	2017
	S$'000	*S$'000*
Depreciation of property, plant and equipment	**485**	434
Auditor's remuneration *(Note a)*	**150**	140
Directors' remuneration (including contributions to CPF)	**1,386**	1,268
Other staff costs		
— Salaries and other benefits	**6,715**	7,854
— Contributions to CPF	**217**	262
Total staff costs *(Note b)*	**8,318**	9,384
Subcontractor costs recognised as cost of services	**1,453**	2,788
Minimum lease payments under operating leases	**435**	478

Note:

a. This excludes other assurance services of Nil (2017: S$300,000) paid to the auditors of the Company and Nil (2017: S$300,000) paid to member firm of the auditors of the Company in relation to the Company's listing on the Stock Exchange on 11 December 2017.

b. Staff costs of S$5,770,000 (2017: S$7,160,000) are included in cost of services.

9 EARNINGS PER SHARE

	Year ended 31 December	
	2018	2017
Profit attributable to the owners of the Company (S$'000)	**737**	5,395
Weighted average number of shares in issue ('000)	**840,000**	642,082
Basic and diluted earnings per share (S$ cents)	**0.09**	0.84

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.

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 2018 and 2017.

10 DIVIDENDS

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.

Saved for the above, no other dividend has been declared by the Company or Group's subsidiaries during both years or subsequent to the year end.

11 TRADE RECEIVABLES

	Year ended 31 December	
	2018	2017
	S$'000	*S$'000*
		(Restated)
Trade receivables	**2,550**	1,696

The Group grants credit terms to customers typically up to 35 days from the invoice date for trade receivables (2017: 35 days).

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	
	2018	2017
	S$'000	*S$'000*
1 to 30 days	**2,130**	1,499
31 to 60 days	**396**	192
61 to 90 days	**—**	—
More than 90 days	**24**	5
	2,550	1,696

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.

Prior to 1 January 2018

The Group recognised the allowance for certain trade receivables which has been past due and considered as doubtful debts or irrecoverable by the management.

Included in the Group's trade receivables as at 31 December 2017 was carrying amounts of S$213,000 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.

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 *S$'000*
1 to 30 days	203
31 to 60 days	5
61 to 90 days	—
More than 90 days	5
	213

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.

Starting from 1 January 2018

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 Group determines the ECL on these items 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.

A trade receivable is written off when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over two years past due, whichever occurs earlier. None of the trade receivables that have been written off is subject to enforcement activities.

The management of the Group believes that there is no loss allowance required for trade receivables as at 31 December 2018.

12 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Year ended 31 December	
	2018	2017
	S$'000	*S$'000*
Deposits	**54**	82
Prepayments	**91**	134
Advances to staff	**6**	5
Goods and Services Tax ("GST") receivables	**414**	—
Other receivables	**48**	—
	613	221

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 these items 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.

An other receivable is written off when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the other receivables are over two years past due, whichever occurs earlier. None of the other receivables that have been written off is subject to enforcement activities.

The management of the Group believes that there is no loss allowance required for other receivables and deposits as at 31 December 2018.

13 TRADE PAYABLES AND TRADE ACCRUALS

	Year ended 31 December	
	2018	2017
	S$'000	*S$'000*
Trade payables	**1,787**	3,285
Trade accruals	**810**	3,411
	2,597	6,696

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	
	2018	2017
	S$'000	*S$'000*
Within 90 days	**1,644**	3,061
91 days to 120 days	**143**	224
	1,787	3,285

14 OTHER PAYABLES AND ACCRUED EXPENSES

	Year ended 31 December	
	2018	2017
	S$'000	*S$'000*
Accrued operating expenses	**1,508**	2,253
Accrued listing expenses	**—**	897
Other payables	**222**	580
	1,730	3,730

15 SHARE CAPITAL

For the purpose of presenting the share capital of the Group 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.

	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 *(Note b)*	9,962,000,000	99,620
At 31 December 2017 and 31 December 2018	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 *(Note e)*	210,000,000	364
At 31 December 2017 and 31 December 2018	840,000,000	1,454

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.

e. 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Outlook

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

The Group has been balancing the project awarded rate with profit margins of the project before submitting tender taking into account the completion period and capacity for better allocation of the Group's resources.

The construction market sentiment in Singapore has been subdued since the start of 2018. The Singapore Government has implemented property curbs to control housing prices and the suspension of the Kuala Lumpur-Singapore High Speed Rail ("HSR") Project has adversely impacted the number of projects in the construction market. Due to the diminishing demand for construction works, competitions for local construction works have become more intense with competitors reducing their margins despite prices for construction materials and labour costs are on a rising trend. Such competition had resulted in decreases in our tender prices for the recent awarded tenders; the profitability of these projects are 50–70% lower as compared to the prior financial years.

The Ministry of Trade and Industry of Singapore reported on 2 January 2019 and 15 January 2019 that based on advance estimates, the construction sector had contracted by 2.2% on a year-on-year basis in the fourth quarter of 2018, extending the 2.5% decline in the third quarter of 2018. The contraction was primarily due to weakness in public sector construction activities. Overall, the construction sector shrank by 3.4% in 2018. Consequently, the Group's operations were greatly affected with declining profit margins and fewer projects to be awarded to the Group.

Going forward, the Group expects the Singapore construction market to remain volatile, especially given that Singapore's economy is fairly exposed to the health of global economy. The Group will continue to persist in its participation in new project tenders in order to secure more projects and to remain competitive and actively involved in the local construction market. The management will make continuous effort to consolidate and strengthen the reputation of the Group through direct and regular contacts with main contractors in the construction industry to keep us abreast of market development and will continue to leverage its resources to improve the profitability and simultaneously take prudent measures to control the operating costs.

Subsequent to our announcement dated 11 January 2019, the Group has submitted another six tenders with an aggregate value of approximately S$133.5 million. As at the date of this announcement, there are ongoing tenders in aggregate amount to approximately S$382.5 million.

In view of the current competitive and weak construction market, the Group has slowed down its pace for the implementation of the business strategies as set out in the Prospectus with more focus on cost control and cost efficiency until the recovery and improvement of the construction market before securing potential M&E projects with a broader scope of works.

For the year ended 31 December 2018, the Group's revenue decreased by 49.5% to approximately S$19.0 million as compared to approximately S$37.6 million recorded in the last financial year.

The decrease in revenue was mainly due to the decrease in revenue contributed by private sector projects from approximately S$26.8 million for the year ended 31 December 2017 to approximately S$11.0 million for the year ended 31 December 2018. The lower revenue resulted in a 57.6% decrease in gross profit to approximately S$6.1 million as compared to approximately S$14.4 million recorded in the last financial period. Gross profit margin for the year ended 31 December 2018 was 6.2% lower than the 38.3% achieved in the last financial year due to lower profitability for the new projects awarded.

Ongoing projects

As at 31 December 2018, the Group had eight ongoing projects with an aggregate contract sum of approximately S$76.8 million, of which approximately S$51.6 million had been recognised as revenue as at 31 December 2018. The remaining balance will be recognised as our revenue in accordance with the stage of completion.

As at the date of this announcement, the management noted that there are delays for the ongoing projects which are mainly attributed from the progress of our customers as the construction activities are mainly driven by them. However, the management considered that such delays would not cause the Group to indemnify the third parties which could lead to contingent liabilities nor have any material adverse effect on the Group's financial results. The details of ongoing projects as at 31 December 2018 are as follows:

Type of building development	**Sector**	**Scope of works**	**Contract sum**[1] *S$ million*
Mixed residential and commercial	Private	Design and Build, and installations of M&E systems	24.0
Institutional	Public	Build and installation of M&E systems	12.7
Mixed residential and commercial	Private	Build and installation of M&E systems	7.1
Educational institutional	Public	Build and installation of M&E systems	9.1
Private residential	Private	Design and Build, and installations of M&E systems	6.7

Type of building development	Sector	Scope of works	Contract sum[(1)] *S$ million*
Educational institutional	Public	Build and installation of M&E systems	5.3
Industrial	Private	Build and installation of M&E systems	7.7[(2)]
Healthcare	Public	Build and installation of M&E systems	4.2

Notes:

(1) The contract sum includes variation orders received to-date where we performed works in addition to the original contract.

(2) The contract sum excludes the option to sign another new project with a total contract value of approximately S$4.5 million.

FINANCIAL REVIEW

Revenue

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

	For the year ended 31 December					
	2018			2017		
	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	**7**	**11.0**	**57.9**	9	26.8	71.3
Public sector projects	**4**	**8.0**	**42.1**	5	10.8	28.7
Total	**11**	**19.0**	**100.0**	14	37.6	100.0

Our revenue decreased by approximately S$18.6 million or 49.5%, from approximately S$37.6 million for the year ended 31 December 2017 to approximately S$19.0 million for the year ended 31 December 2018, which was mainly due to the decrease in revenue contributed by the private sector projects from approximately S$26.8 million for the year ended 31 December 2017 to approximately S$11.0 million for the year ended 31 December 2018. Such decrease in revenue was 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$2.2 million for the year ended 31 December 2018).

Further, we also recorded a slight decrease in revenue from public sector projects from approximately S$10.8 million for the year ended 31 December 2017 to approximately S$8.0 million for the year ended 31 December 2018. Such decrease in revenue was mainly due to more works performed for a public sector project which contributed revenue of approximately S$8.7 million for the year ended 31 December 2017 and approximately S$3.3 million for the year ended 31 December 2018. The decrease was offset by the works performed for the two new public sector projects which were awarded in late 2017 and had contributed to approximately S$4.9 million to our revenue for the year ended 31 December 2018 as compared to S$1.8 million for the year ended 31 December 2017.

Cost of services

Our cost of services decreased by approximately S$10.2 million or 44.2%, from approximately S$23.1 million for the year ended 31 December 2017 to approximately S$12.9 million for the year ended 31 December 2018, which was mainly due to a decrease in amount of works performed for the corresponding year.

Gross profit and gross profit margin

	For the year ended 31 December					
	2018			2017		
	Revenue	**Gross profit**	**Gross profit margin**	Revenue	Gross profit	Gross profit margin
	S$ million	***S$ million***	***%***	*S$ million*	*S$ million*	*%*
Private sector projects	**11.0**	**3.5**	**31.8**	26.8	10.6	39.6
Public sector projects	**8.0**	**2.6**	**32.5**	10.8	3.8	35.2
Total	**19.0**	**6.1**	**32.1**	37.6	14.4	38.3

Our gross profit decreased by approximately S$8.3 million or 57.6%, from approximately S$14.4 million for the year ended 31 December 2017 to approximately S$6.1 million for the year ended 31 December 2018. The gross profit margin decreased from 38.3% for the year ended 31 December 2017 to approximately 32.1% for the year ended 31 December 2018 mainly due to lower profitability for the aforementioned two new public sector projects which were awarded in the late 2017 (with average gross profit margins of approximately 33.2%) and the two new private and public sector projects which were awarded subsequent to June 2018 (with average gross profit margins of approximately 12.1%).

Administrative expenses

The administrative expenses of the Group increased by approximately S$0.1 million or 2.2%, from approximately S$4.5 million for the year ended 31 December 2017 to approximately S$4.6 million for the year ended 31 December 2018. Such increase was mainly due to the additional administrative and compliance cost as a listed company in connection with the Company's listing which was slightly offset by the unrealised exchange gain from the listing proceeds in Hong Kong dollars.

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$31,000 for the year ended 31 December 2017 to approximately S$40,000 for the year ended 31 December 2018. The increase was mainly due to the higher interest incurred from the bank borrowing, which was related to the 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$1.5 million for the year ended 31 December 2017 to approximately S$0.8 million for the year ended 31 December 2018. The decrease was mainly due to the decrease in assessable profits.

Profit for the year

The profit for the year decreased from approximately S$5.4 million for the year ended 31 December 2017 to approximately S$0.7 million for the year ended 31 December 2018, representing a decrease of approximately S$4.7 million.

Final dividend

The Board did not recommend the payment of a final dividend for the year ended 31 December 2018 (2017: 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 2018. As at 31 December 2018, the Group had cash and bank balances of approximately S$18.3 million (2017: approximately S$30.7 million) and available unutilised banking facilities of approximately S$6.2 million (2017: approximately of S$6.3 million). As at 31 December 2018, the total interest-bearing borrowings, including bank borrowing and obligations under finance leases was approximately S$1.4 million (2017: approximately S$1.9 million), and current ratio and gearing ratio was approximately 5.8 times (2017: approximately 3.8 times) and 2.6% (2017: 3.7%) respectively.

Pledge of assets

As at 31 December 2018, the Group had pledged fixed deposits of approximately S$0.2 million (2017: approximately S$0.2 million) to secure the banking facilities granted to the Group. The Group's two owned properties with a fair value amounted to approximately S$20.0 million (2017: approximately S$16.7 million) were also pledged for mortgage to secure the banking facilities as at 31 December 2018 and 2017.

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$2.1 million (2017: approximately 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

As at 31 December 2018, 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, banking facilities, and net proceeds from the Share Offer.

Contingent liabilities and capital commitments

As at 31 December 2018, the Group did not have any material contingent liabilities and capital commitments.

Material acquisitions and disposals of subsidiaries, associates and joint ventures

During the year ended 31 December 2018, the Group did not have any material acquisitions nor disposals of subsidiaries and affiliated companies.

Significant investments held and principal properties

Save for those disclosed in relation to the investment in listed equity shares and properties held by the Group, as at 31 December 2018, the Group did not have any other investment in equity interest in any other company.

Employees and remuneration policies

As at 31 December 2018, the Group had a total of 259 employees (2017: 264 employees), including executive Directors. Total staff costs (including Directors' emoluments) were approximately S$8.3 million for the year ended 31 December 2018 as compared to approximately S$9.4 million for the year ended 31 December 2017.

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 2018.

COMPARISON OF BUSINESS OBJECTIVES AND ACTUAL BUSINESS PROGRESS

The following is a comparison between the Group's business plans as set out in the Company's Prospectus and the Group's actual business progress for the year ended 31 December 2018:

Business plan for the year ended 31 December 2018 as set out in the Prospectus	Actual business progress as at 31 December 2018
Increase our workforce to expand operations by recruiting and retaining project managers, engineers and foremen.	The business plan to expand our operations is put on hold until the Group has secured sufficient projects for the increase in the Group's scale of operations.
Purchase of machinery and equipment such as scissor lifts, excavator and wide-format colour scanner and AutoCAD-compatible plotter, and lorries to support our business expansion.	The Group had acquired scissor lifts and the wide-format colour scanner and AutoCAD-compatible plotter.

Business plan for the year ended 31 December 2018 as set out in the Prospectus	Actual business progress as at 31 December 2018
Purchase of additional property to support our business expansion.	The Group had acquired an additional property in November 2018. The acquired property had been leased out as (i) our existing licensed dormitories lease agreements with Independent Third Parties have yet to expire; while (ii) the previous owner was in search of a another venue for relocation and had requested for a short term lease of one year. Therefore, in the interest of the Group, this property was leased out not only to avoid incurring early termination penalty for the existing leased dormitories, but also to receive rental income from it. Upon expiration of the tenancy agreements, we will utilise this property to accommodate our foreign workers.
Expand our internal competencies by recruiting and retaining project managers, engineers and workers.	The business plan to expand our operations is put on hold until the Group has secured sufficient projects for the increase in the Group's scale of operations.
Build our competencies in building information modelling ("BIM") by recruiting and retaining BIM certified staff and related software.	The business plan to expand our operations is put on hold until the Group has secured sufficient projects for the increase in the Group's scale of operations.

USE OF LISTING PROCEEDS

The net proceeds from the listing, after deducting listing related expenses, were approximately HK$132.2 million (approximately S$24.0 million), out of which approximately S$9.8 million has been utilised as at 31 December 2018.

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 2018, the Group does not anticipate any change to the plan as to the use of listing proceeds. The majority of the unused net proceeds have been placed as interest bearing short-term demand deposits with licensed banks in Singapore and Hong Kong.

As at 31 December 2018, the net listing proceeds has been applied and utilised as follows:

Use of net proceeds	**Total net proceeds from share offer and available as at 1 January 2018**	**Planned use of net proceeds up to the year ended 31 December 2018**	**Utilised as at 31 December 2018**	**Total remaining net proceeds available as at 31 December 2018**
	S$ million	*S$ million*	*S$ million*	*S$ million*
Increase our workforce	4.0	0.6	0.3	3.7
Purchase of machinery and equipment, and lorries	1.5	0.7	0.2	1.3
Purchase of additional property	10.0	10.0	8.8	1.2
Expand our internal competencies	6.9	1.3	—	6.9
Build our competencies in BIM	0.5	0.2	—	0.5
General working capital	1.1	0.5	0.5	0.6
Total	24.0	13.3	9.8	14.2

CORPORATE GOVERNANCE/OTHER INFORMATION

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

During the year, the Company did not redeem any of its shares, and neither did the Company nor any of its subsidiaries has purchase or sell any of the Company's shares.

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. The Board considers that the Company has complied with all the applicable principles and code provisions as set out in the CG Code the year.

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 2018.

Annual General Meeting (the "AGM")

The AGM of the Company (the "AGM") will be held on 3 June 2019 (Monday).

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 29 May 2019 (Wednesday) to 31 May 2019 (Friday) (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 28 May 2019 (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 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, Deloitte & Touche LLP, 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.

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 2018 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, 22 March 2019

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.