**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 2019

## FINANCIAL HIGHLIGHTS

Revenue increased by approximately 4.7% to approximately S$19.9 million in 2019 from approximately S$19.0 million in 2018.

Gross loss amounted to approximately S$2.4 million in 2019; while there was a gross profit of approximately S$6.1 million in 2018.

Loss for the year amounted to approximately S$7.6 million in 2019; while there was a profit for the year of approximately S$0.7 million in 2018.

The Board did not recommend the payment of a final dividend for the year ended 31 December 2019 (2018: 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 2019 together with comparative figures for the year ended 31 December 2018 as follows:

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the year ended 31 December 2019*

| | *Note* | **2019** | 2018 |
|---|---|---|---|
| | | ***S$'000*** | *S$'000* |
| Revenue | *4* | **19,900** | 19,036 |
| Cost of services | | **(22,340)** | (12,927) |
| **Gross (loss) profit** | | **(2,440)** | 6,109 |
| Other income | *5* | **533** | 328 |
| Other gains (losses) | *5* | **(392)** | (259) |
| Administrative expenses | | **(5,303)** | (4,642) |
| Finance costs | *6* | **(13)** | (40) |
| **(Loss) profit before taxation** | | **(7,615)** | 1,496 |
| Income tax credit (expense) | *7* | **48** | (759) |
| **(Loss) profit for the year** | *8* | **(7,567)** | 737 |
| **Other comprehensive (expense) income, net of income tax** | | | |
| **Items that will not be reclassified subsequently to profit or loss:** | | | |
| (Deficit) surplus on revaluation of freehold property | | **(754)** | 2,390 |
| Surplus (deficit) on changes in fair value of intangible assets | | **11** | (25) |
| Deficit on changes in fair value of financial asset at fair value through other comprehensive income | | **(13)** | (1) |
| | | **(756)** | 2,364 |
| **Total comprehensive (expense) income for the year** | | **(8,323)** | 3,101 |

| | *Note* | **2019** | 2018 |
|---|---|---|---|
| | | ***S$'000*** | *S$'000* |
| **(Loss) profit for the year attributable to:** | | | |
| Owners of the Company | | **(7,564)** | 737 |
| Non-controlling interests | | **(3)** | – |
| | | **(7,567)** | 737 |
| **Total comprehensive (expense) income for the year attributable to:** | | | |
| Owners of the Company | | **(8,320)** | 3,101 |
| Non-controlling interests | | **(3)** | – |
| | | **(8,323)** | 3,101 |
| **Basic and diluted (loss) earnings per share (S$ cents)** | *9* | **(0.90)** | 0.09 |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 31 December 2019*

| | *Note* | **2019** | 2018 |
|---|---|---|---|
| | | ***S$'000*** | *S$'000* |
| **ASSETS AND LIABILITIES** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | | **25,880** | 29,591 |
| Investment property | | **4,226** | – |
| Intangible assets | | **195** | 184 |
| Financial asset at fair value through other comprehensive income | | **150** | 163 |
| | | **30,451** | 29,938 |
| **Current assets** | | | |
| Trade receivables | *10* | **2,951** | 2,550 |
| Other receivables, deposits and prepayments | *11* | **222** | 613 |
| Contract assets | | **2,828** | 10,579 |
| Amount due from ultimate holding company | | **8** | 5 |
| Pledged fixed deposits | | **210** | 209 |
| Bank balances and cash | | **15,888** | 18,339 |
| | | **22,107** | 32,295 |
| **Current liabilities** | | | |
| Trade payables and trade accruals | *12* | **1,843** | 2,597 |
| Other payables and accrued expenses | *13* | **2,760** | 1,730 |
| Contract liabilities | | **556** | 343 |
| Obligations under finance leases | | **–** | 89 |
| Income tax payable | | **34** | 376 |
| Bank borrowings | | **–** | 392 |
| | | **5,193** | 5,527 |
| **Net current assets** | | **16,914** | 26,768 |
| **Total assets less current liabilities** | | **47,365** | 56,706 |

| | *Note* | **2019** | 2018 |
|---|---|---|---|
| | | ***S$'000*** | *S$'000* |
| **Non-current liabilities** | | | |
| Bank borrowings | | **–** | 950 |
| Deferred tax liabilities | | **–** | 68 |
| | | **–** | 1,018 |
| **Net assets** | | **47,365** | 55,688 |
| **Capital, reserves and non-controlling interests** | | | |
| Share capital | *14* | **1,454** | 1,454 |
| Reserves | | **45,914** | 54,234 |
| Equity attributable to owners of the Company | | **47,368** | 55,688 |
| Non-controlling interests | | **(3)** | – |
| **Total equity** | | **47,365** | 55,688 |

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## 1 GENERAL

The Company was incorporated in the Cayman Islands and registered as an exempted 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 Room 1002-03, 10th Floor, Perfect Commercial Building, No. 20 Austin Avenue, Tsim Sha Tsui, Kowloon, Hong Kong. The head office and principal place of business of the Group in Singapore is at 85 Tagore Lane, Singapore 787527. The 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 BASIS OF ACCOUNTING

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB").

In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Listing Rules") and the applicable disclosures required by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain properties, intangible assets and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period.

## 3 APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

**New and amendments to IFRSs that are mandatorily effective for the current year**

The Group has applied the following new and amendments to IFRSs issued by the IASB for the first time in the current year:

| | |
|---|---|
| IFRS 16 | Leases |
| IFRIC 23 | Uncertainty over Income Tax Treatments |
| Amendments to IFRS 9 | Prepayment Features with Negative Compensation |
| Amendments to IAS 19 | Plan Amendment, Curtailment or Settlement |
| Amendments to IAS 28 | Long-term Interests in Associates and Joint Ventures |
| Amendments to IFRSs | Annual Improvements to IFRSs 2015-2017 Cycle |

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

***IFRS 16 Leases***

In the current year, the Group has applied IFRS 16 Leases (as issued by the IASB in January 2016) that is effective for annual periods that begin on or after 1 January 2019.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets when such recognition exemptions are adopted. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. The impact of the adoption of IFRS 16 on the Group's consolidated financial statements is described below.

The date of initial application of IFRS 16 for the Group is 1 January 2019.

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the Standard:

- For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as personal computers and office furniture), the Group has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

- The Group accounted for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases.

*(a) Impact of the new definition of a lease*

The Group has made use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to be applied to those leases entered or changed before 1 January 2019.

The change in definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on 'risks and rewards' in IAS 17 and IFRIC 4.

The Group applies the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or changed on or after 1 January 2019 (whether it is a lessor or a lessee in the lease contract). The new definition in IFRS 16 does not significantly change the scope of contracts that meet the definition of a lease for the Group.

*(b) Impact on Lessee Accounting*

Former operating leases

IFRS 16 changes how the Group accounts for leases previously classified as operating leases under IAS 17, which were off balance sheet.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (which includes tablets and personal computers, small items of office furniture and telephones), the Group has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within 'administrative expenses' in profit or loss.

*(c) Impact on Lessor Accounting*

IFRS 16 does not change substantially how a lessor accounts for leases. Under IFRS 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently.

However, IFRS 16 has changed and expanded the disclosures required, in particular regarding how a lessor manages the risks arising from its residual interest in leased assets.

*(d) Financial impact of initial application of IFRS 16*

There are no material financial impact on the Group's financial position and performance as well as disclosure on initial application of IFRS 16 as the directors of the Company have elected to apply the transition exemption on short-term leases.

**New and amendments of IFRSs in issue but not yet effective**

At the date of authorisation of these financial statements, the Group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

| | |
|---|---|
| IFRS 17 | Insurance Contracts[1] |
| Amendments to IFRS 3 | Definition of a business[2] |
| 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 1 and IAS 8 | Definition of material[4] |
| Amendments to IFRS 9, IAS 39 and IFRS 7 | Interest Rate Benchmark Reform[4] |
| Conceptual Framework | Amendments to References to the Conceptual Framework in IFRS Standards[4] |
| Amendments to IAS 1 | Classification of Liabilities as Current or Non-current[5] |

1 Effective for annual periods beginning on or after 1 January 2021.
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 a date to be determined.
4 Effective for annual periods beginning on or after 1 January 2020.
5 Effective for annual periods beginning on or after 1 January 2022.

The directors of the Company anticipate that the application of the new and amendments to IFRSs listed above will have no material impact on the consolidated financial position and performance as well as disclosure in foreseeable future.

## 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, being the chief operating decision makers, for the purposes of resource allocation and performance assessment. They would review the overall results and financial position of the Group as a whole prepared based on same accounting policies. Accordingly, the Group has only one single operating segment and only disclosures on services, major customers and geographical information of this single segment are presented.

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

| | Year ended 31 December | |
|---|---|---|
| | **2019** | 2018 |
| | ***S$'000*** | *S$'000* |
| Revenue from: | | |
| Installations of mechanical and electrical systems | **19,900** | 19,036 |

**Information about major customers**

Revenue from customers individually contributing over 10% of the total revenue of the Group of the corresponding years are as follows:

| | Year ended 31 December | |
|---|---|---|
| | **2019** | 2018 |
| | ***S$'000*** | *S$'000* |
| Customer A | **3,123** | 3,312 |
| Customer B | **5,551** | 3,265 |
| Customer C | **3,794** | 2,390 |
| Customer D | **3,473** | N/A* |
| Customer E | **N/A*** | 2,154 |
| Customer F | **N/A*** | 3,338 |

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

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2019 and 31 December 2018 are as follows:

| | Year ended 31 December | |
|---|---|---|
| | **2019** | 2018 |
| | ***S$'000*** | *S$'000* |
| Installations of mechanical and electrical systems | **13,257** | 25,237 |

The directors of the Company expect that the transaction price allocated to the unsatisfied performance contracts as of the year ended 2019 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 delivered and the Group's property, plant and equipment are all located in Singapore.

## 5 OTHER INCOME AND OTHER GAINS (LOSSES)

| | Year ended 31 December | |
|---|---|---|
| | **2019** | 2018 |
| | ***S$'000*** | *S$'000* |
| **Other income** | | |
| Interest income | **262** | 128 |
| Dividend income | **3** | 3 |
| Government grants | **52** | 141 |
| Rental income | **216** | 56 |
| | **533** | 328 |
| **Other gains (losses)** | | |
| Revaluation surplus (deficit) on property | **173** | (263) |
| Fair value gain on investment property | **97** | – |
| (Loss) gain on disposal of property, plant and equipment | **(1)** | 4 |
| Loss allowance under expected credit losses ("ECL") model | **(661)** | – |
| | **(392)** | (259) |

## 6 FINANCE COSTS

| | Year ended 31 December | |
|---|---|---|
| | **2019** | 2018 |
| | ***S$'000*** | *S$'000* |
| Interest expense: | | |
| – Obligations under finance leases | **2** | 8 |
| – Bank borrowings | **11** | 32 |
| | **13** | 40 |

## 7 INCOME TAX (CREDIT) EXPENSE

| | Year ended 31 December | |
|---|---|---|
| | **2019** | 2018 |
| | ***S$'000*** | *S$'000* |
| Tax (credit) expense comprise: | | |
| Current tax: | | |
| – Singapore corporate income tax ("CIT") | **–** | 376 |
| – Under provision in prior years | **20** | 402 |
| Deferred tax credit | **(68)** | (19) |
| | **(48)** | 759 |

Singapore CIT is calculated at 17% of the estimated assessable profits eligible.

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

| | Year ended 31 December | |
|---|---|---|
| | **2019** | 2018 |
| | ***S$'000*** | *S$'000* |
| (Loss) profit before taxation | **(7,615)** | 1,496 |
| Tax (credit) expense at applicable tax rate of 17% (2018: 17%) | **(1,295)** | 254 |
| Tax effect of expenses not deductible for tax purpose | **243** | 143 |
| Effect of tax concessions and partial tax exemptions | **–** | (40) |
| Effect of unused deductible temporary differences not recognised as deferred tax assets | **1,052** | – |
| Underprovision of tax in prior years | **20** | 402 |
| Others | **(68)** | – |
| Income tax (credit) expense | **(48)** | 759 |

## 8 (LOSS) PROFIT FOR THE YEAR

(Loss) profit for the year has been arrived at after charging:

| | Year ended 31 December | |
|---|---|---|
| | **2019** | 2018 |
| | ***S$'000*** | *S$'000* |
| Depreciation of property, plant and equipment | **612** | 485 |
| Auditor's remuneration | **158** | 150 |
| Directors' remuneration (including contributions to CPF) | **1,336** | 1,386 |
| Other staff costs: | | |
| – Salaries and other benefits | **6,783** | 6,715 |
| – Contributions to CPF | **223** | 217 |
| Total staff costs (Note a) | **8,342** | 8,318 |
| Subcontractor costs recognised as cost of services | **3,684** | 1,453 |

*Note:*

a. Staff costs of S$5,534,000 (2018: S$5,770,000) are included in cost of services.

## 9 (LOSS) EARNINGS PER SHARE

| | Year ended 31 December | |
|---|---|---|
| | **2019** | 2018 |
| (Loss) profit attributable to the owners of the Company (S$'000) | **(7,564)** | 737 |
| Weighted average number of shares in issue ('000) | **840,000** | 840,000 |
| Basic and diluted (loss) earnings per share (S$ cents) | **(0.90)** | 0.09 |

The calculation of basic (loss) earnings per share is based on the (loss) profit for the year attributable to owners of the Company and the weighted average number of shares in issue.

Diluted (loss) earnings per share is the same as the basic (loss) earnings per share because the Group has no dilutive securities that are convertible into shares during the years ended 31 December 2019 and 2018.

## 10 TRADE RECEIVABLES

| | Year ended 31 December | |
|---|---|---|
| | **2019** | 2018 |
| | ***S$'000*** | *S$'000* |
| Trade receivables | **2,951** | 2,550 |

The Group grants credit terms to customers typically up to 35 days from the invoice date for trade receivables (2018: 35 days).

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

| | Year ended 31 December | |
|---|---|---|
| | **2019** | 2018 |
| | ***S$'000*** | *S$'000* |
| 1 to 30 days | **1,646** | 2,130 |
| 31 to 60 days | **1,305** | 396 |
| 61 to 90 days | **–** | – |
| More than 90 days | **–** | 24 |
| | **2,951** | 2,550 |

Before accepting any new customer, the Group will assess the potential customer's credit quality and defined credit limit to each customer on individual basis. Limits attributed to customers are reviewed once a year.

The Group applied lifetime ECL (simplified approach) to provide the expected credit losses as prescribed by IFRS 9.

As part of the Group's credit risk management, the ECL on trade receivables are assessed individually for debtors with significant balances. Assessment are done based on historical credit loss experience based on the past default experience of the debtor, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

The directors of the Company considered that there is no loss allowance required for trade receivables as at 31 December 2019 and 31 December 2018.

## 11 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

| | **Year ended 31 December** | |
|---|---|---|
| | **2019** | 2018 |
| | ***S$'000*** | *S$'000* |
| Deposits | **121** | 54 |
| Prepayments | **98** | 91 |
| Advances to staff | **3** | 6 |
| Goods and Services Tax ("GST") receivables | **–** | 414 |
| Other receivables | **–** | 48 |
| | **222** | 613 |

The Group applied 12-month ECL to provide the expected credit losses as prescribed by IFRS 9.

As part of the Group's credit risk management, the Group determines the ECL on other receivables and deposits based on historical credit loss experience based on the past default experience of the debtor, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

The directors of the Company considered that there is no loss allowance required for other receivables and deposits as at 31 December 2019 and 31 December 2018.

## 12 TRADE PAYABLES AND TRADE ACCRUALS

| | **Year ended 31 December** | |
|---|---|---|
| | **2019** | 2018 |
| | ***S$'000*** | *S$'000* |
| Trade payables | **1,771** | 1,787 |
| Trade accruals | **72** | 810 |
| | **1,843** | 2,597 |

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** | |
|---|---|---|
| | **2019** | 2018 |
| | ***S$'000*** | *S$'000* |
| Within 90 days | **1,397** | 1,644 |
| 91 days to 120 days | **374** | 143 |
| | **1,771** | 1,787 |

## 13 OTHER PAYABLES AND ACCRUED EXPENSES

| | Year ended 31 December | |
|---|---|---|
| | **2019** | 2018 |
| | ***S$'000*** | *S$'000* |
| Accrued operating expenses | **1,149** | 1,508 |
| Other payables *(Note a)* | **1,611** | 222 |
| | **2,760** | 1,730 |

*Note:*

a. Included in other payables is S$1,416,000 (2018: S$Nil) in relation the amounts payable for the purchase of property, plant and equipment.

## 14 SHARE CAPITAL

| | **Number of shares** | **Share capital** |
|---|---|---|
| | | *HK$'000* |
| Authorised share capital of the Company: | | |
| At 1 January 2019, 31 December 2019 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 1 January 2019, 31 December 2019 and 31 December 2018 | 840,000,000 | 1,454 |

## 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 construction market sentiment in Singapore has been subdued since the start of 2018. With the looming economic slowdown in Singapore affected by the trade rows between the two biggest economies in the world, the construction demand in Singapore has also been greatly affected. Even though the Ministry of Trade and Industry of Singapore (the "MTI") reported that the construction sector expanded by 2.8%, a turnaround from the 3.5% contraction in 2018, supported by both public sector and private sector construction works, the construction market in Singapore still remains competitive and challenging with falling tender prices. Competition has intensified across all our markets as our industry peers jostle for market share while operating costs continued to escalate, further adding pressure on the profit margins. Consequently, this resulted in decreases in our tender prices for the recent awarded tenders; the profitability of these projects is 50-70% lower as compared to the prior financial years.

For 2020, uncertainties in the global economy are expected to remain. Should the outbreak of the coronavirus disease 2019 ("COVID-19") be more widespread, severe and protracted than anticipated, there could be sharper pullback in global consumption and will negatively affect global trade and economic growth which in turn will weaken the Singapore economy. However, the construction sector is projected to post steady growth given the rebound in construction demand since 2018 as viewed by the MTI per reported on 17 February 2020.

Going forward, the Group expects the local construction market in 2020 to remain competitive and demanding with continuous pressures on contract values and stiff competition for new projects. The Group will continue to persist in its participation in new project tenders in order to secure more projects and actively involved in the local construction market. As we expect operating costs to escalate further, we will stay competitive and enhance productivity through skills upgrading and the adoption of innovation and technology, in our construction business to optimise margins.

For the year ended 31 December 2019, the Group's revenue increased by 4.7% to approximately S$19.9 million as compared to approximately S$19.0 million recorded in the last financial year. The increase in revenue was mainly due to the completion of two public sector projects which contributed revenue of approximately S$9.1 million for the year ended 31 December 2019 (and only approximately S$4.9 million for the year ended 31 December 2018). However, our gross profit decreased by 139.3%, from approximately S$6.1 million for the year ended 31 December 2018 to a gross loss of approximately S$2.4 million for the year ended 31 December 2019 which arose from the completion of four projects (one private sector project and three public sector projects) of which the profit margins decreased significantly from approximately a range of 31-33% for the year ended 31 December 2018 to approximately less than 10% for the year ended 31 December 2019.

**Completed projects**

During the year ended 31 December 2019, the Group had completed six projects with an aggregated contract value of approximately S$63.6 million.

**Ongoing projects**

As at 31 December 2019, the Group had four ongoing projects with an aggregate contract sum of approximately S$20.9 million, of which approximately S$7.6 million had been recognised as revenue as at 31 December 2019. The remaining balance will be recognised as our revenue in accordance with the stage of completion.

The details of ongoing projects as at 31 December 2019 are as follows:

| Type of building development | Sector | Scope of works | Contract sum[1] *S$'million* |
|---|---|---|---|
| Private residential | Private | Design and Build, and installations of M&E systems | 6.8 |
| Healthcare | Public | Build and installation of M&E systems | 4.2 |
| Private residential | Private | Design and Build, and installations of M&E systems | 6.8 |
| Educational institutional | Private | Build and installation of M&E systems | 3.1 |

*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 2019, the Group has secured two newly awarded contracts with an aggregate contract value of approximately S$9.9 million. Details of the newly awarded projects are included in the table of the "Ongoing projects" above.

Subsequent to the year ended 31 December 2019, the Group secured a newly awarded contract with an aggregate contract value of approximately S$6.9 million. Details of the newly awarded project are as follows:

| Type of building development | Sector | Scope of works | Contract sum *S$'million* | Expected completion date |
|---|---|---|---|---|
| Classified | Public | Build and installation of M&E systems | 6.9 | December 2021 |

## 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 | | | | | |
|---|---|---|---|---|---|---|
| | **2019** | | | 2018 | | |
| | **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 | **5** | **9.6** | **48.2** | 7 | 11.0 | 57.9 |
| Public sector projects | **4** | **10.3** | **51.8** | 4 | 8.0 | 42.1 |
| Total | **9** | **19.9** | **100.0** | 11 | 19.0 | 100.0 |

Our revenue increased by approximately S$0.9 million or 4.7%, from approximately S$19.0 million for the year ended 31 December 2018 to approximately S$19.9 million for the year ended 31 December 2019, which was mainly due to the increase in revenue contributed by the public sector projects from approximately S$8.0 million for the year ended 31 December 2018 to approximately S$10.3 million for the year ended 31 December 2019. Such increase in revenue was mainly due to the completion of two public sector projects which contributed revenue of approximately S$9.1 million for the year ended 31 December 2019 (and only approximately S$4.9 million for the year ended 31 December 2018). The increase was offset by a completed private sector project which contributed revenue of approximately S$1.0 million for the year ended 31 December 2019 as compared to the corresponding year of approximately S$2.2 million. Aside from the abovementioned 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 by approximately S$9.4 million or 72.9%, from approximately S$12.9 million for the year ended 31 December 2018 to approximately S$22.3 million for the year ended 31 December 2019. The quantum of the increase in our cost of services is not in line with the increase in our revenue which was largely due to unforeseen circumstances noted during the year. The delays of several projects which were mainly attributed from the progress of our customers as the construction activities were mainly driven by them, although did not lead to contingent liabilities but on the other hand, increased our cost of services as more subcontracting costs were incurred to catch up on the delays from approximately S$1.5 million for the year ended 31 December 2018 to approximately S$3.7 million for the year ended 31 December 2019. Our material costs also increased from approximately S$5.7 million for the year ended 31 December 2018 to approximately S$13.1 million for the year ended 31 December 2019 due to the design changes of the projects during the year.

## Gross (Loss) Profit and Gross (Loss) Profit Margin

| | **For the year ended 31 December** | | | | | |
|---|---|---|---|---|---|---|
| | **2019** | | | 2018 | | |
| | **Revenue** | **Gross loss** | **Gross loss margin** | Revenue | Gross profit | Gross profit margin |
| | ***S$' million*** | ***S$' million*** | ***%*** | *S$' million* | *S$' million* | *%* |
| Private sector projects | **9.6** | **(0.3)** | **(3.1)** | 11.0 | 3.5 | 31.8 |
| Public sector projects | **10.3** | **(2.1)** | **(20.4)** | 8.0 | 2.6 | 32.5 |
| Total | **19.9** | **(2.4)** | **(12.1)** | 19.0 | 6.1 | 32.1 |

Our gross profit decreased by approximately S$8.5 million or 139.3%, from approximately S$6.1 million for the year ended 31 December 2018 to a gross loss of approximately S$2.4 million for the year ended 31 December 2019. The gross loss arose mainly from the completion of four projects (one private sector project and three public sector projects) of which the profit margins decreased significantly from approximately a range of 31-33% for the year ended 31 December 2018 to approximately less than 10% for the year ended 31 December 2019. The decrease in the profit margins for these four projects were mainly due to higher cost of services incurred from the delays and design changes of the projects during the year.

**Administrative Expenses**

The administrative expenses of the Group increased by approximately S$0.7 million or 15.2%, from approximately S$4.6 million for the year ended 31 December 2018 to approximately S$5.3 million for the year ended 31 December 2019. The increase is mainly attributable to higher manpower costs being allocated to the tender department to assist on the securing of new tenders and the increase in depreciation expense due to the completion of the addition and alteration works of our property during the year.

**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 decreased from approximately S$40,000 for the year ended 31 December 2018 to approximately S$13,000 for the year ended 31 December 2019. The decrease was mainly due to the full repayment of the bank borrowing in April 2019 and the completion of the repayment term of the finance leases for our motor vehicles in October 2019.

**Income Tax (Credit) Expenses**

The income tax credit amounted to approximately S$48,000 for the year ended 31 December 2019; while there was an income tax expense of approximately S$0.8 million for the year ended 31 December 2018. Such credit was attributable to the overprovision of deferred tax in prior years which was slightly offset by the underprovision of income tax expense in prior years. As the Group recorded a loss for the year, there was no income tax expense incurred.

**(Loss) profit for the year**

Loss for the year amounted to approximately S$7.6 million; while there was a net profit of approximately S$0.7 million for the year ended 31 December 2018, representing a decrease of approximately S$8.3 million.

**Final Dividend**

The Board did not recommend the payment of a final dividend for the year ended 31 December 2019 (2018: Nil).

**Liquidity and Financial Resources**

The Group practised prudent financial management and maintained a strong and sound financial position during the year ended 31 December 2019. As at 31 December 2019, the Group had cash and bank balances of approximately S$15.9 million (2018: approximately S$18.3 million) and available unutilised banking facilities of approximately S$6.8 million (2018: approximately of S$6.3 million).

As at 31 December 2019, the Group had no interest-bearing borrowings (2018: approximately S$1.4 million). The Group's current ratio as at 31 December 2019 was approximately 4.3 times (2018: approximately 5.8 times) and the gearing ratio of the Group was Nil% (2018: 3.7%).

**Pledge of Assets**

As at 31 December 2019, the Group had pledged fixed deposits of approximately S$0.2 million (2018: 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$20.5 million (2018: approximately S$20.0 million) were also pledged for mortgage to secure the bank facilities as at 31 December 2019 and 2018.

**Exposure to Foreign Exchange Rate Risks**

The Group transacts mainly in Singapore dollars, which is the functional currency of all the Group's operating subsidiaries. However, the Group retains some proceeds from the Listing in Hong Kong dollars amounting to approximately S$1.6 million (2018: approximately $2.1 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 2019, there has been no change to the capital structure of the Company. The Company's capital comprises ordinary shares and capital reserves. The Group finances its working capital, capital expenditures and other liquidity requirements through a combination of its cash and cash equivalents, cash flows generated from operations, bank facilities, and net proceeds from the Share Offer.

**Contingent Liabilities and Capital Commitments**

As at 31 December 2019, 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 2019, 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 2019, the Group did not have any other investment in equity interest in any other company.

**Employees and Remuneration Policies**

As at 31 December 2019, the Group had a total of 206 employees (2018: 259 employees), including executive Directors. Total staff costs (including Directors' emoluments) were approximately S$8.3 million for the year ended 31 December 2019 (approximately S$8.3 million for the year ended 31 December 2018).

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 2019.

## COMPARISON OF BUSINESS OBJECTIVES AND ACTUAL BUSINESS PROGRESS

The following is a comparison between the Group's business plans as set out in the prospectus of the Company dated 28 November 2017 (the "Prospectus") and the Group's actual business progress for the year ended 31 December 2019:

| **Business Plan for the year ended 31 December 2019 as set out in the Prospectus** | **Actual Business Progress as at 31 December 2019** |
|---|---|
| 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. |
| Purchase of additional property to support our business expansion. | The Group had acquired an additional property in November 2018. The dormitories of the acquired property are used to accommodate our foreign workers while the office and warehouse space are leased out to external parties for a short term lease of one year. Since the business plan to expand our business is put on hold, for the interest of the Group, we will be able to receive rental income till the Group has secured sufficient projects for the increase in the Group's scale of operations. |
| Expand our internal competencies by recruiting and retaining project managers, engineers and workers. | The business plan to expand our operations are put on hold till 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 are put on hold till 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$2.2 million has been utilised as at 31 December 2019.

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 2019, 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 2019, 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 2019** *(S$' million)* | **Utilised as at 31 December 2019** *(S$' million)* | **Total remaining net proceeds available as at 31 December 2019** *(S$' million)* |
|---|---|---|---|
| Increase our workforce | 3.7 | 1.6 | 2.1 |
| Purchase of machinery and equipment, and lorries | 1.3 | – | 1.3 |
| Purchase of additional property | 1.2 | – | 1.2 |
| Expand our internal competencies | 6.9 | – | 6.9 |
| Build our competencies in BIM | 0.5 | – | 0.5 |
| General working capital | 0.6 | 0.6 | – |
| Total | 14.2 | 2.2 | 12.0 |

## CORPORTE GOVERNANCE/OTHER INFORMATION

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

During the year, neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the Company's listed securities.

### Non-competition Undertaking

The Company has received the confirmation from the controlling shareholders in respect of their compliance with the terms of non-competition undertaking for the year.

The independent non-executive Directors had reviewed and confirmed that the controlling shareholders have complied with the non-competition undertaking and the non-competition undertaking has been enforced by the Company in accordance with its terms for the year.

Saved as disclosed above, none of the directors, the substantial shareholders or the management of the Company or any of their respective associates has engaged in any business that competes or may compete, either directly or indirectly, with the business of the Group or has any other conflict of interests with the Group during the year.

### Code of Conduct for Securities Transactions by Directors

The Company has adopted a code of conduct regarding securities transactions by directors (the "Model Code") on terms no less exacting than the required standard of dealings as set out in Appendix 10 to the Listing Rules. Having made specific enquiry of all Directors, all Directors confirmed that they had complied with the required standard of dealings and the code of conduct regarding securities transactions by directors adopted by the Company during the year.

The Board has also adopted the Model Code to regulate all dealings by relevant employees who are likely to be in possession of unpublished inside information of the Company in respect of securities in the Company as referred to in code provision A.6.4 of the corporate governance codes (the "CG Code"). No incident of non-compliance with the Model Code by the Company's relevant employees has been noted for the year after making reasonable enquiry.

## Corporate Governance Principles and Practices

The Board and the management of the Company are committed to maintaining high corporate governance standards to safeguard the interests of shareholders and to enhance corporate value and accountability. The Company's corporate governance practices are based on the principles and code provisions as set out in the CG Code as contained in Appendix 14 of the Listing Rules. Throughout the year ended 31 December 2019, the Board considers that the Company has fully complied with all the applicable principles and code provisions as set out in the CG Code the year. The Board will continue to review and monitor the Company's corporate governance practices to ensure compliance with the Code.

## Chairman and Chief Executive Officer

Under code provision A.2.1 of the CG Code, the roles of Chairman and chief executive should be separate and should not be performed by the same individual. The roles of the Chairman and the Chief Executive Officer of the Company are separated. Mr. Tay Yong Hua is the executive Chairman of the Board. The Chairman provides an effective leadership and ensure the continuing effectiveness of the management team of the Company. Mr. Liang Qianyuan is the Chief Executive Officer of the Company. He focuses on daily operations of the Group. Their respective responsibilities are clearly defined in writing.

## Significant Events after the Reporting Period

a) On 31 December 2019, the Company entered into a Sale and Purchase Agreement (the "SPA") with Mr. Zheng Mingqiang and MKD Group Holdings Limited pursuant to which the Company acquired 49% of the issued share capital of D.D. Resident Co., Ltd., a limited liability company incorporated in Thailand, at a consideration of HK$58,000,000.

   There are precedent conditions set forth in the SPA to be fulfilled or waived, which are substantive in nature and had not been fulfilled or waived as at 31 December 2019, and as such, the acquisition has not complete as at year end. Those conditions were subsequently fulfilled or waived, and the completion thereof took place on 16 January 2020.

On 21 January 2020, the Company has allotted and issued 75,600,000 consideration shares at the Issue Price of HK$0.60 per consideration share in satisfying part of the consideration amounting to HK$45,360,000. After the completion, the consideration shares represent approximately 8.26% of the total number of issued shares of the Company as enlarged by the allotment and issue of the consideration shares.

The financial performance and financial position of the acquired entity is not expected to have a material impact on the financial statements of the Group upon completion.

The Group plans to expand its business to Thailand by acquiring D.D. Resident Co. Ltd. and a hotel under its operation in the country, with a view to offset the risks arising from regional operation under the sluggish market conditions in Singapore in recent years. The Directors consider that the acquisition will ensure the foundation of the Group's investment business in Thailand and broaden its asset diversity, thereby supporting the future profitability of the Group. The Directors believe that through the Group's upcoming staff training and business process iteration in D.D. Resident Co. Ltd., the performance of D.D. Resident Co. Ltd. will embrace continuous growth, which in turn will make sustained contribution to the profits of the Group.

b) The Group will pay close attention to the development of the outbreak of the COVID-19 subsequent to the end of the reporting period and its related impact on the Group's businesses and financials. Based on the currently available information, the Group considers the event would not have a material impact to the Group's operation given that there is no major disruptions for on-going projects. However, given the unpredictability associated with the COVID-19 outbreak and any further contingency measures that may be put in place by the relevant governments and corporate entities, the actual financial impact of the COVID-19 outbreak, if any, on the Group's 2020 financial statements could be significantly different from the estimates disclosed above depending on how the situation evolves, the Group will closely monitor in this regard. The financial statements of the Group for the financial period ended 31 December 2019 have not been adjusted for the financial effect as a result of the COVID-19 outbreak.

**Annual General Meeting (the "AGM")**

The AGM of the Company (the "AGM") will be held on 19 June 2020 (Friday).

The notice of the AGM will be published on the website of the Stock Exchange at http://www.hkexnews.hk and the Company's website at http://www.TheSolisGrp.com. and sent to the shareholders of the Company, together with the Company's annual report, in due course.

## Closure of Register of Members

The register of members of the Company will be closed from 16 June 2020 (Tuesday) to 18 June 2020 (Thursday) (both days inclusive), during which period no transfers of shares will be registered. To determine the entitlement(s) to attend and vote at the AGM, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Boardroom Share Registrars (HK) Limited, at Room 2103B, 21/F., 148 Electric Road, North Point, Hong Kong for registration not later than 4:30 p.m. on 15 June 2020 (Monday).

## Audit Committee

The Company established an audit committee ("Audit Committee") on 14 November 2017 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the CG Code as set out in Appendix 14 to the Listing Rules. The Company has updated the written terms of reference of audit committee on 16 November 2018 in compliance with the new CG Code with effect from 1 January 2019. The revised terms of reference of the audit committee are available on the websites of the Company and the Stock Exchange.

The responsibility of the audit committee is to assist the Board in fulfilling its audit duties through the review and supervision of the Company's financial reporting, risk management and internal control principles and procedures, and to provide advice and comments to the Board. The members meet regularly with the external auditor and/or the Company's senior management for the review, supervision and discussion of the Company's financial reporting, risk management and internal control procedures and ensure that the board and the management have discharged their duties to have an effective risk management and internal control systems.

As at 31 December 2019, the audit committee comprises three independent non-executive Directors, namely Mr. Cheung Garnok (Chairman), Dr. Guan Huan Fei and Mr. Jacobsen William Keith. None of them is a former partner of the Company's existing auditing firm. Mr. Cheung Garnok, who has appropriate professional qualifications and experience in accounting matters, was appointed as the chairman of the audit committee since 11 June 2019 to replace Mr. Law Wang Chak Waltery, who resigned on 11 June 2019, a former chairman of audit committee.

**Review of Annual Results**

The audited consolidated financial results of the Group for the year have been reviewed by the audit committee of the Company and the figures in respect of the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of financial position of the Group, and the related notes thereto for the year as set out in this announcement have been agreed by our auditors, 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**

On behalf of the Board, I would like to take this opportunity to express my gratitude to the management and staff of the Group for their commitment and contribution during the year. I would also like to express my appreciation to the guidance from the regulators and continued support from our shareholders and customers.

**Publication of Annual Results Announcement and Annual Report**

The Company's annual results announcement is published on the website of the Stock Exchange at http://www.hkexnews.hk and the Company's website at http://www.TheSolisGrp.com.

The annual report of the Company for year ended 31 December 2019 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, 23 March 2020

*As at the date of this announcement, the executive Directors are Mr. Tay Yong Hua and Mr. Liang Qianyuan; and the independent non-executive Directors are Mr. Cheung Garnok, Dr. Guan Huan Fei, Mr. Jacobsen William Keith and Mr. Liu Hongen.*