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 2023

FINANCIAL HIGHLIGHTS

Revenue increased by approximately 37.2% to approximately S$18.8 million in 2023 from approximately S$13.7 million in 2022.

Gross profit increased by approximately 47.6% to approximately S$3.1 million in 2023 from approximately S$2.1 million in 2022.

Loss for the year decreased by approximately 99.2% to approximately S$7,000 from approximately S$0.9 million in 2022.

The Board did not recommend the payment of a final dividend for the year ended 31 December 2023 (2022: Nil).

ANNUAL RESULTS

The board (the "Board") of directors (the "Directors") of Solis Holdings Limited (the "Company") hereby announce the audited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2023 together with comparative figures for the year ended 31 December 2022 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the financial year ended 31 December 2023

	Note	**2023**	2022
		S$'000	*S$'000*
Revenue	*4*	**18,809**	13,693
Cost of services		**(15,758)**	(11,604)
Gross profit		**3,051**	2,089
Other income	*5*	**4,449**	2,773
Other gains/(losses) – net	*6*	**63**	(20)
Administrative expenses		**(6,882)**	(5,228)
Finance costs	*7*	**(252)**	(60)
Provision for share of net liabilities of a joint venture		**(451)**	(465)
Loss before tax	*9*	**(22)**	(911)
Tax credit	*8*	**15**	–
Loss for the year		**(7)**	(911)
Other comprehensive income/(loss):			
Item that is or may be reclassified subsequently to profit or loss:			
Fair value gain of financial assets at fair value through other comprehensive income – debt securities		**72**	8
Items that will not be reclassified subsequently to profit or loss:			
Surplus on revaluation of freehold land and building		**1,074**	1,329
Deferred tax expense relating to surplus on revaluation of freehold property		**(145)**	–
Surplus/(deficit) on changes in fair value of intangible assets		**11**	(2)
Fair value loss of financial assets at fair value through other comprehensive income – equity securities		**(136)**	(978)
Other comprehensive income for the year, net of tax		**876**	357
Total comprehensive income/(loss) for the year		**869**	(554)

	Note	**2023**	2022
		S$'000	*S$'000*
Loss attributable to:			
Owners of the Company		**(6)**	(911)
Non-controlling interest		**(1)**	–*
Loss for the year		**(7)**	(911)
Total comprehensive income/(loss) attributable to:			
Owners of the Company		**870**	(554)
Non-controlling interest		**(1)**	–*
Total comprehensive income/(loss) for the year		**869**	(554)
Loss per share of the Company (expressed in Singapore cents per share)			
Basic and diluted	*10*	**(0.00)**	(0.10)

* Amount is less than S$1,000.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023

	Note	**2023**	(Reclassified) 2022
		S$'000	*S$'000*
Non-current assets			
Property, plant and equipment		**34,531**	24,503
Right-of-use assets		**383**	862
Intangible assets		**73**	62
Investment in a joint venture		**–**	–
Financial assets at fair value through other comprehensive income		**8,941**	9,102
Financial asset at fair value through profit or loss	*16*	**5,765**	4,237
Total non-current assets		**49,693**	38,766
Current assets			
Trade receivables	*11*	**944**	562
Other receivables, deposits and prepayments	*12*	**454**	516
Contract assets		**3,528**	3,782
Inventories		**28**	48
Pledged fixed deposits		**1,715**	1,711
Cash and cash equivalents		**13,739**	24,036
Total current assets		**20,408**	30,655
Total assets		**70,101**	69,421
Non-current liabilities			
Bank borrowing, non-current		**5,364**	5,479
Lease liabilities, non-current		**53**	189
Deferred tax liabilities		**359**	229
Total non-current liabilities		**5,776**	5,897

	Note	2023	(Reclassified) 2022
		S$'000	*S$'000*
Current liabilities			
Trade payables and trade accruals	*13*	**4,710**	2,127
Other payables and accrued expenses	*14*	**8,464**	10,366
Contract liabilities		**805**	1,797
Bank borrowing, current		**120**	136
Lease liabilities, current		**142**	334
Provisions		**916**	465
Total current liabilities		**15,157**	15,225
Total liabilities		**20,933**	21,122
Net assets		**49,168**	48,299
Equity and reserves			
Share capital	*15*	**1,585**	1,585
Share premium		**34,440**	34,440
Retained earnings		**681**	732
Reserves		**12,466**	11,545
Equity attributable to owners of the Company		**49,172**	48,302
Non-controlling interest		**(4)**	(3)
Total equity		**49,168**	48,299

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL

The Company was incorporated in the Cayman Islands on 21 June 2017 as an exempted company with limited liability under the Companies Law (Cap. 22, Law of 1961 as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and the principal place of business in Hong Kong is at Units 903A-5, 9/F., 8 Observatory Road, Tsim Sha Tsui, Kowloon, Hong Kong. The head office and principal place of business of the Group in Singapore is at 85 Tagore Lane, Singapore 787527.

The Company is a subsidiary of HMK Investment Holdings Limited ("HMK"), a company incorporated in the British Virgin Islands ("BVI") which is also the Company's ultimate holding company. Mr. Tay Yong Hua, Mr. Tay Yong Meng and Mr. Kenneth Teo Swee Cheng ("Mr. Kenneth Teo") jointly controls the ultimate holding company and are the controlling shareholders of Solis Holdings Limited and its subsidiaries (the "Group") (together referred to as the "Controlling Shareholders").

The Company is an investment holding company. The Company's operating subsidiary (collectively, the "Group") is principally engaged in designing, building and installations of mechanical and electrical systems.

The shares of the Company (the "Shares") were listed on Main Board of The Stock Exchange of Hong Kong Limited (the "Listing") by way of placing and public offer (the "Share Offer") on 11 December 2017 (the "Listing Date").

2 BASIS OF PREPARATION

The consolidated financial statements are presented in Singapore dollar ("S$"), which is the Company's functional currency. All financial information presented in Singapore dollar are rounded to the nearest thousand ("S$'000") except when otherwise indicated. The consolidated financial statements have been prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance and International Financial Reporting Standards ("IFRSs"). These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited. The consolidated financial statements have been prepared under the historical cost convention except for freehold building and leasehold property, intangible assets and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period.

The preparation of consolidated financial statements in conformity with IFRSs requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management's best knowledge of current events and actions and historical experiences and various other factors that are believed to be reasonable under the circumstances, actual results may ultimately differ from those estimates.

3 ADOPTION OF NEW AND REVISED STANDARDS

In the current financial year, the Group has adopted all the new and revised IFRSs and International Financial Reporting Interpretations Committee Interpretations ("IFRIC INT") that are relevant to its operations and effective for the current financial year. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective IFRSs and IFRIC INT.

The adoption of these new and revised IFRSs and IFRIC INT did not have any material effect on the financial results or position of the Group.

New standards, amendments to standards and interpretations that have been issued at the end of the financial year but are not yet effective for the financial year ended 31 December 2023 have not been applied in preparing these consolidated financial statements. None of these are expected to have a significant effect on the consolidated financial statements of the Group.

4 REVENUE AND SEGMENT INFORMATION

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

Timing of revenue recognition

	2023	2022
	S$'000	*S$'000*
Construction contracts revenue for the designing, building and installations of mechanical and electrical systems over time	**18,809**	13,693

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:

	2023	2022
	S$'000	*S$'000*
Customer A	**12,728**	4,891
Customer B	**3,388**	2,779
Customer C	**N/A***	2,710
Customer D	**N/A***	2,644

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

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at the end of the financial year are as follows:

	2023	2022
	S$'000	*S$'000*
Construction contracts revenue for the designing, building and installations of mechanical and electrical systems as at 31 December:		
Within 1 year	**24,889**	38,691
More than 1 year	**–**	4,238
	24,889	42,929

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, right-of-use assets and intangible assets are all located in Singapore. Accordingly, no geographical segment analysis is presented.

5 OTHER INCOME

	2023	2022
	S$'000	*S$'000*
Other income		
Interest income from banks	**396**	59
Interest income from financial assets at fair value through other comprehensive income	**403**	539
Dividend income from equity investments	**1**	2
Government grants		
– Foreign worker levy waiver and rebates	**–**	147
– Others	**41**	41
Management fee income charged to a joint venture	**2,525**	1,621
Rental income	**1,054**	352
Others	**29**	12
	4,449	2,773

In 2022, the foreign worker levy waiver and rebates of S$147,000 was recognised during the financial year. The Singapore Government provided business employers who hire foreign workers on work permit and S-Pass with foreign worker levy to ease the labour costs of the Group.

6 OTHER GAINS/(LOSSES) – NET

	2023	2022
	S$'000	*S$'000*
(Loss)/gain on disposal of property, plant and equipment	**(1)**	63
Gain on disposal of non-current asset held for sale	**–**	317
Loss on disposal of intangible assets	**–**	(49)
Loss on disposal of financial assets at fair value through other comprehensive income, net	**(19)**	(182)
Gain on disposal of financial assets at fair value through profit or loss	**32**	–
Gain on disposal of a subsidiary	**1**	–
Fair value loss on financial asset at fair value through profit or loss *(Note 16)*	**(30)**	(89)
Gain/(loss) on revaluation of property, plant and equipment	**80**	(80)
	63	(20)

7 FINANCE COSTS

	2023	2022
	S$'000	*S$'000*
Interest expense:		
– Bank borrowing	**239**	48
– Lease liabilities	**13**	12
	252	60

8 TAX CREDIT

Singapore corporate income tax has been provided for at the rate of 17% (2022: 17%) on the estimated assessable profit for the financial year ended 31 December 2023 as the Group is principally operating in Singapore.

No overseas profits tax has been calculated for entities of the Group that are incorporated in the British Virgin Islands or the Cayman Islands as they are exempted from tax (2022: Nil).

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

	2023	2022
	S$'000	*S$'000*
Deferred tax credited to profit or loss		
– Reversal of deferred tax liabilities on revaluation upon depreciation	**(15)**	–
Deferred tax charged to other comprehensive income		
– prior year	**22**	–
– current financial year	**123**	–
	145	–

The amount of income tax on the Group's loss before tax differs from the theoretical amount that would arise using the enacted tax rate of the Group entities as follows:

	2023	2022
	S$'000	*S$'000*
Loss before tax	**(22)**	(911)
Tax calculated at tax rate of 17% (2022: 17%)	**(4)**	(155)
Income not subject to tax	**(14)**	(90)
Expenses not deductible for tax purposes	**241**	207
Deferred tax assets not recognised	**–**	38
Utilisation of previously unrecognised deferred tax asset	**(223)**	–
Reversal of deferred tax liabilities on revaluation upon deprecation	**(15)**	–
	(15)	–

Included in income not subject to tax mainly comprises gain on disposal of non-current asset held for sale of S$Nil (2022: S$317,000) and gain on revaluation of property, plant and equipment of S$80,000 (2022: S$Nil).

Included in expenses not deductible for tax purposes mainly comprises depreciation of property, plant and equipment of S$905,000 (2022: S$374,000), fair value loss on financial asset at fair value through profit or loss of S$14,000 (2022: S$89,000) and impairment loss on property, plant and equipment of S$Nil (2022: S$80,000).

9 LOSS BEFORE TAX

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

	2023	2022
	S$'000	*S$'000*
Auditor's remuneration		
– Auditors of the Group	**128**	112
Fees for the non-audit services paid to		
– Auditors of the Group	**18**	10
Depreciation of property, plant and equipment	**1,026**	487
Depreciation of right-of-use assets	**479**	200
Dormitories expense	**139**	117
Subcontractor costs included in cost of services	**2,814**	819
Foreign currency exchange gains, net	**(28)**	(22)

10 LOSS PER SHARE

a) Basic

Basic loss per share is calculated by dividing the loss attributable to owners of the Company by the number of ordinary shares in issue during the financial year.

	2023	2022
Loss attributable to the owners of the Company *(S$'000)*	**(6)**	(911)
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share *('000)*	**915,600**	915,600
Loss per share *(S$ cents per share)*	**(0.00)**	(0.10)

b) Diluted

The diluted loss per share is the same as the basic loss per share due to the absence of dilutive ordinary shares during the respective years.

11 TRADE RECEIVABLES

	2023	2022
	S$'000	*S$'000*
Trade receivables – third parties	**944**	562

The Group grants credit terms to customers typically up to 35 days (2022: 35 days) from the invoice date for trade receivables. As at 31 December 2023 and 31 December 2022, the ageing analysis of the third-party trade receivables, based on invoice date, are as follows:

	2023	2022
	S$'000	*S$'000*
1 to 30 days	**828**	526
31 to 60 days	**4**	12
61 to 90 days	**–**	–
Over 90 days	**112**	24
	944	562

As at 31 December 2023 and 2022, the carrying amounts of trade receivables are denominated in S$ and approximate their fair values.

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

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

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

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

The directors of the Company considered that there is no loss allowance required for trade receivables as at 31 December 2023 and 31 December 2022.

12 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2023	2022
	S$'000	*S$'000*
Deposits	**70**	150
Prepayments	**275**	300
Advances to staff	**6**	3
Other receivables	**13**	4
Interest receivables from financial assets at fair value through other comprehensive income	**90**	59
	454	516

As at 31 December 2023 and 2022, the carrying amounts of deposits and other receivables are denominated in S$ and approximate their fair values.

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

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

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

The directors of the Company considered that there is no loss allowance required for other receivables and deposits as at 31 December 2023 and 31 December 2022.

13 TRADE PAYABLES AND TRADE ACCRUALS

	2023	2022
	S$'000	*S$'000*
Trade payables	**4,166**	1,776
Trade accruals	**544**	351
	4,710	2,127

Trade payables at the end of the financial year comprise amounts outstanding to suppliers and subcontractors. The average credit period taken for trade purchase is generally 30 to 90 days or payable upon delivery. As at 31 December 2023 and 31 December 2022, the ageing analysis of the trade payables, based on invoice date, are as follows:

	2023	2022
	S$'000	*S$'000*
Within 90 days	**3,482**	1,604
Over 90 days	**684**	172
	4,166	1,776

The carrying amounts of trade payables approximate their fair values.

14 OTHER PAYABLES AND ACCRUED EXPENSES

	2023	2022
	S$'000	*S$'000*
Accrued operating expenses	**1,566**	1,339
Other payables *(Note A)*	**2,598**	2,688
Amount due to a former shareholder *(Note B)*	**–**	1
Amount due to a joint venture *(Note C)*	**4,300**	6,338
	8,464	10,366

Note A: Included in other payables is S$2,135,000 (2022: S$2,169,000) which is related to the unpaid purchase consideration for acquisition in D.D. Resident Co. Ltd. (Note 16). The movement during the financial year is primarily due to exchange differences. The amount is denominated in HKD.

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

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

15 SHARE CAPITAL

	2023		2022	
	Number of shares	***HK$'000***	*Number of shares*	*HK$'000*
Authorised:				
Ordinary shares of HK$0.01 each				
At 1 January and 31 December	**10,000,000,000**	**100,000**	10,000,000,000	100,000
Issued and fully paid:				
At 1 January and 31 December	**915,600,000**	**1,585**	915,600,000	1,585

16 FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

	2023	2022
	S$'000	*S$'000*
Financial asset at fair value through profit or loss		
Unquoted equity shares – measured at FVTPL	**4,223**	4,237
Quoted debt security		
– SGD corporate fixed rate convertible bonds of 3.25% per annum maturing in February 2028	**1,542**	–
	5,765	4,237
Movement during the year:		
Fair value at beginning of the year	**4,237**	4,326
Additions	**2,310**	–
Disposals	**(752)**	–
Fair value loss recognised in profit or loss *(Note 6)*	**(30)**	(89)
Fair value at end of the year	**5,765**	4,237

The unquoted equity shares represent the Group's acquisition of 49% equity interest in the issued shares of D.D. Resident Co. Ltd (the "Investee") on 16 January 2020 at an agreed consideration of HKD58,000,000 (equivalent to S$10,069,000). The Investee is a limited liability company incorporated in Thailand, which is the owner and operator of Aiyaree Place Hotel in Pattaya, Thailand. In accordance with the Sales and Purchase Agreement ("SPA") dated 31 December 2019, the Group has the right to appoint/remove directors and key management personnel of the Investee. In conjunction with the acquisition, the Group has also entered into an Exclusive Option Agreement with the remaining 51% shareholder of the Investee (the "Thai Shareholder"), whereby the Group is granted with an irrevocable and exclusive option to purchase the 51% equity interest held by the Thai Shareholder at consideration of HKD61,200,000 (equivalent to S$10,624,000). The Exclusive Option Agreement dated 31 December 2019 has an effective period of 2 years from 31 December 2019. The Group did not renew the Exclusive Option Agreement upon the expiry date on 30 December 2021.

The Group has classified the investment as financial asset at fair value through profit or loss at initial recognition and at the end of the financial year.

In the previous financial year, the management sought professional legal advice from an independent consultant and legal firm in Thailand. In January 2022, the Group served two legal notices respectively to (1) the vendors of the Investee for the breach of various terms and conditions included in the SPA and (2) Investee for the failure to send notice of meetings to the Group for the approval of audited accounts and appointment of new director. The management has used its best effort to negotiate and discuss with the vendors and Investee, and conducted a site visit at Aiyaree Place Hotel in Pattaya, together with its independent consultant and legal adviser, on 4 and 5 July 2022. However, the management was only able to meet the general manager of the Investee and obtained the operational information of the hotel. During the site visit, the management had also requested the financial records of the Investee, but there was no response from them.

On 31 March 2023, the Company commenced criminal proceedings against the Investee and two directors of Investee (collectively as the "defendants") for the failure to comply with the relevant laws in Thailand in which the Criminal Court of Thailand has formally listed the criminal claim for trial. In April 2023, the Company had also made a written complaint and sought assistance from the Department of Business Development (the "DBD") in Thailand to conduct financial investigation on the accounts of the Investee for the relevant years which was accepted by DBD and DBD had issued written requests twice to the Investee for submission of the specified accounting documents for the specified years. However, the Investee did not comply with the written requests.

On 29 October 2023, a civil action was issued at the Provincial Court of Pattaya, by the vendors of the Investee as the plaintiffs, for the unpaid balance for the acquisition of 49% shareholdings of the Investee against the Company, two directors of the Company and Aiyaree International Hotel Management Limited, subsidiary of the Company in which the Company instructed their legal firm to proceed with the Defence and Counterclaim against the plaintiffs. The amount of claim against the Company totalled S$2,550,000. An amount of S$2,135,000 has been recorded as payable in the financial statements. Management has assessed that no further provision is required in the financial statements with respect to this civil action.

As at 31 December 2023, the fair value of the investment was determined by a valuation performed by an independent professional valuation firm in Thailand on 31 December 2023 using the income approach that reflects the value of the hotel property capable of producing income in the present worth of anticipated future net benefits. This fair value measurement is categorised in Level 3 of the fair value hierarchy. Changes in the fair value of financial asset at fair value through profit or loss, amounting to S$14,000 (2022: S$89,000) is included in profit or loss as part of "other gains/(losses) – net" (Note 6).

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.

In 2023, despite the stable outlook, Singapore's construction market is still expected to face higher construction costs. Material and manpower costs have gone up by 30 to 40 per cent compared with pre-pandemic levels. Even though construction demand appears to be steady, there are many challenges that lie ahead, including the growing risk of recession in Singapore, supply chain pressures, climate change, shortage of labour, and significantly higher manpower and material costs as compared to pre-pandemic levels. Additionally, factors such as Goods and Services Tax ("GST") and carbon tax hikes may also exert upward pressure on prices.

The Ministry of Trade and Industry of Singapore (the "MTI") reported on 15 February 2024 that the Singapore economy improved by 1.1 per cent in 2023. MTI estimated that the GDP growth forecast for 2024 is "1.0 to 3.0 per cent". Specifically, the construction sector grew by 5.2 per cent, improving from the 4.6 per cent growth in 2022, supported by expansions in both public and private sector construction works. The economic outlook for Singapore in 2024 appears cautiously optimistic. The global economic outlook continues to be mixed and uneven. Geopolitical uncertainties, and the potential for a global recession could adversely impact Singapore's economic performance. The Building Construction Authority (the "BCA") of Singapore anticipates a sustained growth in construction demand over the medium term, forecasting an annual range between S$31 billion and S$38 billion from 2025 to 2028.

The Group has also adopted a more prudent approach in tendering for new projects in view of the current intense bidding price competition. The Group believes that continued investments to enhance the Group's workforce and adopt new building technologies to support improved productivity for construction projects will strengthen our competitive edge in the tender and delivery of new construction projects. The Group will continue to pay close attention to the macroeconomic environment and implement contingency plans in a timely manner, while it continues to ensure smooth progress of its projects and practice tight cost controls. The Group will be well-equipped to rise to new challenges that may appear and will remain dedicated to preserving its market leadership while creating greater value for its shareholders.

For the financial year ended 31 December 2023, the Group's revenue increased by approximately 37.2% to approximately S$18.8 million as compared to approximately S$13.7 million recorded in the last financial year. The increase in revenue was mainly attributable to higher construction activities performed during the year as compared with the corresponding year. Our gross profit increased by approximately S$1.0 million, from approximately S$2.1 million for the financial year ended 31 December 2022 to approximately S$3.1 million for the financial year ended 31 December 2023.

Ongoing projects

As at 31 December 2023, the Group had five ongoing projects (excluding the joint venture project) with an aggregate contract sum of approximately S$56.8 million, of which approximately S$31.9 million had been recognised as revenue as at 31 December 2023. The remaining balance will be recognised as our revenue in accordance with the stage of completion.

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					
	2023			2022		
	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	**1**	**1.8**	**9.6**	2	5.5	40.1
Public sector projects	**5**	**17.0**	**90.4**	5	8.2	59.9
Total	**6**	**18.8**	**100.0**	7	13.7	100.0

Our revenue increased by approximately S$5.1 million or 37.2%, from approximately S$13.7 million for the financial year ended 31 December 2022 to approximately S$18.8 million for the financial year ended 31 December 2023. Such increase was mainly due to higher construction activities performed during the year for the five ongoing public projects as compared to the corresponding year.

Cost of services

Our cost of services increased by approximately S$4.2 million or 36.2% from approximately S$11.6 million for the financial year ended 31 December 2022 to approximately S$15.8 million for the financial year ended 31 December 2023. The increase was mainly driven by higher construction activities which is in line with the increase in revenue.

Gross profit and gross profit margin

Our gross profit increased by approximately S$1.0 million, from approximately S$2.1 million for the financial year ended 31 December 2022 to approximately S$3.1 million for the financial year ended 31 December 2023. Our gross profit margin increased from a gross profit margin of approximately 15.3% for the financial year ended 31 December 2022 to a gross profit margin of approximately 16.5% for the financial year ended 31 December 2023.

Other income

Other income increased by approximately S$1.6 million, from approximately S$2.8 million for the financial year ended 31 December 2022 to approximately S$4.4 million for the financial year ended 31 December 2023. Such increase was mainly attributable from the increase in interest income from banks, rental income and management fee income charged to a joint venture.

Administrative expenses

The administrative expenses of the Group increased by approximately S$1.7 million or 32.7%, from approximately S$5.2 million for the financial year ended 31 December 2022 to approximately S$6.9 million for the financial year ended 31 December 2023. Such increase was mainly due to the depreciation expense from property, plant and equipment and right-of-use assets, professional fees incurred and the increase in staff costs during the year.

Finance costs

The finance costs of the Group increased by approximately S$0.2 million or 200.0%, from approximately S$0.1 million for the financial year ended 31 December 2022 to approximately S$0.3 million for the financial year ended 31 December 2023. Such increase was mainly due to the interest expense on bank borrowing to finance the leasehold property as the 3-month Singapore Overnight Rate Average has been increasing over the financial year.

Tax credit

The tax credit for the financial year ended 31 December 2023 was attributable to the reversal of deferred tax liabilities on revaluation upon depreciation. As the Group did not record any assessable profits for both years, there was no tax expense incurred.

Loss for the year

Loss for the financial year ended 31 December 2023 decreased by approximately 99.2% to approximately S$7,000 from approximately S$0.9 million for the financial year ended 31 December 2022.

Final dividend

The Board did not recommend the payment of a final dividend for the financial year ended 31 December 2023 (2022: Nil).

Liquidity and financial resources

The Group practiced prudent financial management and maintained a strong and sound financial position during the financial year ended 31 December 2023. As at 31 December 2023, the Group had cash and bank balances of approximately S$13.7 million (2022: approximately S$24.0 million) and available unutilised banking facilities of approximately S$1.6 million (2022: approximately of S$3.5 million).

As at 31 December 2023, the Group's indebtedness comprised bank borrowing and lease liabilities denominated in Singapore dollars of approximately S$5.7 million (2022: S$6.1 million).

As at 31 December 2023, the Group's current ratio was approximately 1.3 times (2022: approximately 2.0 times) and gearing ratio was approximately 11.6% (2022: 12.7%). The decrease in the gearing ratio was mainly due to the repayment of the bank borrowing to finance the leasehold property.

Pledge of assets

As at 31 December 2023, the Group had pledged fixed deposits of approximately S$1.7 million (2022: approximately S$1.7 million) to secure the banking facilities granted to the Group. The Group's two owned properties with a fair value amounted to approximately S$23.7 million (2022: S$23.0 million) were pledged under a mortgage to secure the banking facilities with a bank.

Exposure to foreign exchange rate risks

The Group transacts mainly in Singapore dollars, which is the functional currency of all the Group's operating subsidiaries. However, the Group retains some proceeds from the Listing in Hong Kong dollars amounting to approximately S$0.3 million (2022: approximately S$0.7 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 2023, there has been no change to the capital structure of the Company. The Company's capital comprises ordinary shares and capital reserves. The Group finances its working capital, capital expenditures and other liquidity requirements through a combination of its cash and cash equivalents, cash flows generated from operations and bank facilities.

Contingent liabilities and capital commitments

As at 31 December 2023, the Group did not have any material contingent liabilities and capital commitments (2022: Nil) except for the claim arising from the civil action as disclosed in Note 16.

Material acquisitions and disposals of subsidiaries, associates and joint ventures

The Group did not have any other material acquisitions nor disposals of subsidiaries and affiliated companies during the year ended 31 December 2023.

Significant investments held and principal properties

Save for those disclosed below and in relation to the financial assets at fair value through other comprehensive income, financial asset at fair value through profit or loss and properties held by the Group, as at 31 December 2023, the Group did not have any other investment in equity interest in any other company.

Significant investment held

The Group has acquired 49% interest in D.D. Resident Co. Ltd, which is the owner and operator of a hotel property, Aiyaree Place Hotel in Pattaya, Thailand on 16 January 2020 at an agreed consideration of HKD58,000,000 (equivalent to S$10,069,000) (the "Investment"). The Investment was recorded as financial asset at fair value through profit or loss according to IFRS 9 Financial Instruments. As at 31 December 2023, the fair value of the Investment was approximately S$4,223,000 (2022: S$4,237,000) and accounted for around 6.0% (2022: 6.1%) of the Group's total assets. During the financial year ended 31 December 2023, the Group has recognised a fair value loss of approximately S$14,000 (2022: S$89,000) from changes in the fair value of the Investment. At the time of acquisition of the Investment, the Company intended to broaden its asset diversity and offset the risks arising from regional operation under the sluggish market conditions in Singapore in recent years. The Company will closely monitor the developments and take appropriate actions to adjust its investment strategies and ensure continuous growth of the investment and profit of the Group.

Employees and remuneration policies

As at 31 December 2023, the Group had a total of 145 employees (2022: 144 employees), including executive Directors. Total staff costs (including Directors' emoluments) were approximately S$6.4 million for the financial year ended 31 December 2023 (approximately S$6.1 million for the financial year ended 31 December 2022).

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

For the newly purchased property during the financial year ended 31 December 2023, the Group plans to demolish the entire property and erect a proposed 4-storey building to serve as warehouse, office, dormitory and ancillary facilities which will commence in the next financial year. While approval has been obtained for the demolition of the existing building, quotations on the costs of the planned works are still in progress.

Save as disclosed above, the Group does not have any other plans for material investments and capital assets as at 31 December 2023.

CORPORATE GOVERNANCE/OTHER INFORMATION

Purchase, sale or redemption of the Company's listed securities

During the year ended 31 December 2023, 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 ended 31 December 2023.

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 ended 31 December 2023.

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 ended 31 December 2023.

Code of conduct for securities transactions by directors

The Company has adopted a code of conduct regarding securities transactions by directors (the "Model Code") on terms no less exacting than the required standard of dealings as set out in Appendix 10 to the Rules (the "Listing Rules") Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). 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 ended 31 December 2023.

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 fully complied with all the applicable principles and the code provisions as set out in the CG Code for the year ended 31 December 2023. The Board will continue to review and monitor the Company's corporate governance practices to ensure compliance with the Code.

Chairman and Chief Executive Officer

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

Significant event after the reporting period

Up to the date of this announcement, there was no significant event relevant to the business or financial performance of the Group that come to the attention of the Directors after the financial year ended 31 December 2023.

ANNUAL GENERAL MEETING (THE "AGM")

The AGM of the Company (the "AGM") will be held on 5 June 2024 (Wednesday).

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 31 May 2024 (Friday) to 5 June 2024 (Wednesday) (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, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on 30 May 2024 (Thursday).

Audit committee

The Company established an audit committee (the "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 2023, the Audit Committee comprises three independent non-executive Directors, namely Mr. Cheung Garnok (Chairman), Mr. Choong Pei Nung and Mr. Kwong Choong Kuen (Huang Zhongquan). None of them is a former partner of the Company's existing auditing firm within two years immediately prior to their respective date of appointment. All of them do not have material interest in any principal business activity of nor is or was involved in any material business dealings with the Group or with any core connected persons (as defined in the Listing Rules) of the Group within one year immediately prior to their respective date of appointment. Mr. Cheung Garnok, who has appropriate professional qualifications and experience in accounting matters, was appointed as the chairman of the Audit Committee.

Review of annual results

The audited consolidated financial results of the Group for the financial year ended 31 December 2023 have been reviewed by the Audit Committee and the figures in respect of the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of financial position of the Group, and the related notes thereto for the year as set out in this announcement have been agreed by our auditors, Baker Tilly TFW LLP ("Baker Tilly"), to the amounts set out in the Group's audited consolidated financial statements for the financial year ended 31 December 2023. The Audit Committee was of the opinion that the preparation of such results complied with applicable accounting standards and requirements as well as the Listing Rules and relevant adequate disclosures have been made.

Extract of independent auditor's report

The following is the extract of the drafted independent auditor's report from our auditors, Baker Tilly on the Group's consolidated financial statements for the financial year ended 31 December 2023:

Qualified opinion

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the consolidated financial statements of the Group are properly drawn up in accordance with International Financial Reporting Standards ("IFRSs") approved by the International Accounting Standards Board (the "IASB") and the disclosure requirements of the Hong Kong Companies Ordinance so as to give a true and fair view of the consolidated financial position of the Group as at 31 December 2023 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the financial year ended on that date.

Financial asset at fair value through profit or loss – Unquoted equity shares

As disclosed in Notes 3 and 17 to the consolidated financial statements, the Group acquired 49% unquoted equity interest in the issued shares of D.D. Resident Co. Ltd (the "Investee") on 16 January 2020 at an agreed consideration of HKD58,000,000 (equivalent to S$10,069,000). The Investee is a limited liability company incorporated in Thailand, which is the owner and operator of a hotel property, Aiyaree Place Hotel in Pattaya, Thailand. The Group recorded the investment as financial asset at fair value through profit or loss ("FVTPL") in the consolidated financial statements as at 31 December 2022 and 31 December 2023. As at 31 December 2023, the investment is carried at fair value of S$4,223,000, and a fair value loss on FVTPL amounting to S$14,000 is recognised in the profit or loss.

Due to inability to obtain sufficient appropriate audit evidence and in view of the lack of new development during current financial year as described in Note 17, we are unable to conclude as to whether the investment of 49% equity interest in the Investee should be classified as financial asset at fair value through profit or loss and accounted for in accordance with IFRS 9 *Financial Instruments* or as investment in associated company and equity accounted for in accordance with IAS 28 *Investments in Associates and Joint Ventures*. We are also unable to determine the potential adjustments to and disclosures in the consolidated financial statements for the financial year ended 31 December 2023 and 31 December 2022 should the investment be classified and accounted for as an investment in associated company. In addition, we are unable to satisfy ourselves and we are unable to determine the extent of adjustments and additional disclosures necessary in respect of the fair value of the unquoted equity shares and the fair value loss recognised in profit or loss for the investment to be appropriately measured in accordance with IFRS 9 *Financial Instruments*, including those presented as corresponding figures.

The consolidated financial statements for the financial year ended 31 December 2022 were qualified for the same reason as stated above.

Management's view on the audit qualification

The management of the Company has given careful consideration to the Qualified Opinion and the basis of the qualification and has had ongoing discussion with Baker Tilly when preparing the Group's consolidated financial statements.

During the financial year ended 31 December 2023, the Group commenced legal proceedings against the vendors and Investee. The legal proceedings are ongoing as at the date of this announcement. Refer to the Company's announcement dated 15 December 2023 for more details and note 16 in this announcement. The Group will closely monitor the developments and will take appropriate actions accordingly.

Based on the current assessment and as of the date of this announcement, the ongoing legal proceedings has no material adverse impact on the business or daily operation of the Group as a whole. The Group will take appropriate measures to minimise possible disruptions to the operation of the Group, if any.

Without significant influence over the management of the Investee and in the absence of updated financial information from them, the management believes that it is appropriate for the investment to continue to be valued as financial asset at FVTPL.

With respect to the qualified audit opinion issued by Baker Tilly, the management of the Company acknowledged and agreed with the audit opinion Baker Tilly issued based on their professional and independent assessment.

Audit committee's view on the audit qualification

The Audit Committee had critically reviewed the audit qualification after discussion with Baker Tilly and it held the same view as Baker Tilly as to the basis of the Qualified Opinion. The Audit Committee will from time to time closely communicate with the Board and Baker Tilly on the progress of the Qualified Opinion.

Removal of audit qualification

After discussion with Baker Tilly, the management of the Company is of the view that the Qualified Opinion will be removed only if the Group resolves the existing issues with the vendors of the Investee. This will hence give the Company a better clarity about the accounting treatments of the investment, the fair value of the Investee and the management's position with regards to this investment for the best commercial interest of the Group.

Appreciation

On behalf of the Board, I would like to take this opportunity to express my gratitude to the management and staff of the Group for their commitment and contribution during the year ended 31 December 2023. 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 financial year ended 31 December 2023 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, 28 March 2024

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