SANLI ENVIRONMENTAL LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration Number: 201705316M)

UNAUDITED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 30 SEPTEMBER 2019

This announcement has been prepared by Sanli Environmental Limited (the "Company") and its contents have been reviewed by the Company's Sponsor, SAC Capital Private Limited (the "Sponsor").

This announcement has not been examined or approved by the Singapore Exchange Securities Trading Limited (the "SGX-ST") and the SGX-ST assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made, or reports contained in this announcement.

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Background

Sanli Environmental Limited (the "Company"), together with its subsidiaries (the **"**Group**"**), was listed on the Catalist Board of the SGX-ST on 8 June 2017, pursuant to an initial public offering (the "IPO") exercise.

The Group is an environmental engineering company in the field of water and waste management. Its expertise is in the design, supply, delivery, installation, commissioning, maintenance, repair and overhaul of mechanical and electrical equipment as well as process, instrumentation and control systems in wastewater treatment plants, water reclamation plants, NEWater plants, waterworks, service reservoirs, pumping stations and incineration plants.

The Company was incorporated in Singapore on 27 February 2017 under the Singapore Companies Act as a private company limited by shares, under the name "Sanli Environmental Pte. Ltd.". The Company was incorporated pursuant to the restructuring exercise (the "Restructuring Exercise") as disclosed in the Company's offer document dated 30 May 2017 (the "Offer Document"). The Company was converted into a public limited company on 9 May 2017 and its name was changed to "Sanli Environmental Limited". Please refer to the Offer Document for further details on the Restructuring Exercise.

PART I: INFORMATION REQUIRED FOR HALF-YEAR ANNOUNCEMENT

1(a)(i) A statement of comprehensive income (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group		Increase/
	1HFY2020	1HFY2019	(Decrease)
	S$'000	S$'000	%
Revenue	**27,026**	34,728	(22.2)
Cost of contract works	**(23,483)**	(29,291)	(19.8)
Gross profit	**3,543**	5,437	(34.8)
Other income	**129**	112	15.2
Administrative expenses	**(2,665)**	(2,890)	(7.8)
Other operating expenses	**(587)**	(511)	14.9
Finance cost	**(66)**	(46)	43.5
Profit before tax	**354**	2,102	(83.2)
Income tax	**(135)**	(353)	(61.8)
Profit for the period	**219**	1,749	(87.5)
Other comprehensive loss:			
Item that may reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations	**(2)**	(15)	(86.7)
Total comprehensive income for the period	**217**	1,734	(87.5)
Profit for the period attributable to:			
Owners of the Company	**73**	1,769	(95.9)
Non-controlling interests	**146**	(20)	N.M.
	219	1,749	(87.5)
Total comprehensive income for the period attributable to:			
Owners of the Company	**71**	1,754	(96.0)
Non-controlling interests	**146**	(20)	N.M.
	217	1,734	(87.5)

N.M. - Not meaningful

1(a)(ii) Notes to the statement of comprehensive income

	Group		Increase/
	1HFY2020	1HFY2019	(Decrease)
	S$'000	S$'000	%
Profit for the period was arrived after crediting/(charging):			
Depreciation of property, plant and equipment	**(560)**	(507)	10.5
Depreciation of right-of-use assets	**(43)**	-	N.M.
Net foreign exchange gain/(loss)	**16**	(4)	N.M.
Interest income	**21**	43	(51.2)
Interest expense	**(66)**	(46)	43.5

N.M. - Not meaningful

1(b)(i) A statement of financial position (for the issuer and the group), together with a comparative statement as at the end of the immediately preceding financial year.

	Group		Company	
	As at 30 Sep 2019	As at 31 Mar 2019	**As at 30 Sep 2019**	As at 31 Mar 2019
ASSETS	**S$'000**	S$'000	**S$'000**	S$'000
Current assets				
Cash and cash equivalents	**9,682**	8,829	**61**	31
Trade and other receivables	**8,518**	16,282	**21**	312
Contract assets	**19,269**	15,435	**-**	-
Financial assets at fair value through profit or loss	**267**	267	**-**	-
Total current assets	**37,736**	40,813	**82**	343
Non-current assets				
Property, plant and equipment	**10,709**	11,157	**-**	-
Right-of-use assets	**1,185**	-	**-**	-
Investment in subsidiaries	**-**	-	**21,755**	21,755
Total non-current assets	**11,894**	11,157	**21,755**	21,755
Total assets	**49,630**	51,970	**21,837**	22,098
LIABILITIES AND EQUITY				
Current liabilities				
Borrowings	**271**	271	**-**	-
Trade and other payables	**18,678**	21,622	**568**	165
Contract liabilities	**397**	260	**-**	-
Finance leases	**68**	68	**-**	-
Lease liabilities	**71**	-	**-**	-
Income tax payable	**361**	504	**18**	17
Total current liabilities	**19,846**	22,725	**586**	182
Non-current liabilities				
Borrowings	**2,204**	2,340	**-**	-
Finance leases	**42**	76	**-**	-
Lease liabilities	**1,123**	-	**-**	-
Deferred tax liabilities	**178**	176	**-**	-
Total non-current liabilities	**3,547**	2,592	**-**	-
Capital, reserves and non-controlling interests				
Share capital	**21,297**	21,297	**21,297**	21,297
Translation reserves	**(33)**	(31)	**-**	-
Merger reserve	**(6,755)**	(6,755)	**-**	-
Capital reserve	**521**	482	**-**	-
Retained earnings	**11,063**	11,662	**(46)**	619
Equity attributable to owners of the Company	**26,093**	26,655	**21,251**	21,916
Non-controlling interests	**144**	(2)	**-**	-
Total equity	**26,237**	26,653	**21,251**	21,916
Total liabilities and equity	**49,630**	51,970	**21,837**	22,098

1(b)(ii) In relation to the aggregate amount of the group's borrowings and debt securities, specify the following at the end of the current financial period reported on with comparative figures as at the end of the immediately preceding financial year.

	Group			
	As at		As at	
	30 Sep 2019		31 Mar 2019	
	S$'000		S$'000	
	Secured	**Unsecured**	Secured	Unsecured
Amount repayable in one year or less, or on demand	**339**	**-**	339	-
Amount repayable after one year	**2,246**	**-**	2,416	-
Total borrowings and debt securities	**2,585**	**-**	2,755	-

Details of collateral:

i. Bank borrowings of S$2,475,000 (31 March 2019: S$2,611,000) are secured by a first legal charge over certain property, plant and equipment of the Group and corporate guarantee from the Company.

ii. Finance leases of S$110,000 (31 March 2019: S$144,000) are secured by charges over the leased motor vehicles.

1(c) A statement of cash flow (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group	
	1HFY2020	1HFY2019
	S$'000	S$'000
Operating activities		
Profit before tax	**354**	2,102
Adjustments for:		
Depreciation of property, plant and equipment	**560**	507
Depreciation of right-of-use assets	**43**	-
Share-based payments expenses	**39**	131
Finance costs	**66**	46
Interest income	**(21)**	(43)
Operating cash flows before movements in working capital	**1,041**	2,743
Trade and other receivables	**7,765**	7,810
Trade and other payables	**(2,947)**	(4,056)
Contract assets	**(3,834)**	(4,615)
Contract liabilities	**137**	65
Cash generated from operations	**2,162**	1,947
Income tax paid	**(276)**	(477)
Net cash from operating activities	**1,886**	1,470
Investing activities		
Purchase of property, plant and equipment	**(113)**	(1,336)
Proceeds from disposal of property, plant and equipment	**1**	-
Interest received	**21**	43
Net cash used in investing activities	**(91)**	(1,293)
Financing activities		
Dividends paid	**(672)**	(671)
Repayment of borrowings	**(136)**	(136)
Repayment of finance leases obligations	**(34)**	(44)
Repayment of lease liabilities	**(34)**	-
Interest paid	**(66)**	(46)
Net cash used in financing activities	**(942)**	(897)
Net increase (decrease) in cash and cash equivalents	**853**	(720)
Cash and cash equivalents at beginning of financial period	**8,829**	9,354
Cash and cash equivalents at end of financial period	**9,682**	8,634

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

Group

	Share capital S$'000	Merger reserve S$'000	Capital reserve S$'000	Translation reserves S$'000	Retained earnings S$'000	Equity attributable to owners of the Company S$'000	Non-controlling interests S$'000	Total S$'000
Balance as at 1 Apr 19	21,297	(6,755)	482	(31)	11,662	26,655	(2)	26,653
Total comprehensive income for the period								
Profit for the period	-	-	-	-	73	73	146	219
Other comprehensive loss for the period	-	-	-	(2)	-	(2)	-	(2)
Total	-	-	-	(2)	73	71	146	217
Transaction with owners, recognised directly in equity								
Dividends	-	-	-	-	(672)	(672)	-	(672)
Recognition of share-based payments	-	-	39	-	-	39	-	39
Total	-	-	39	-	(672)	(633)	-	(633)
Balance as at 30 Sep 19	**21,297**	**(6,755)**	**521**	**(33)**	**11,063**	**26,093**	**144**	**26,237**
Balance as at 1 Apr 18	21,297	(6,755)	232	(22)	10,114	24,866	39	24,905
Total comprehensive income for the period								
Profit for the period	-	-	-	-	1,769	1,769	(20)	1,749
Other comprehensive loss for the period	-	-	-	(12)	-	(12)	(3)	(15)
Total	-	-	-	(12)	1,769	1,757	(23)	1,734
Transaction with owners, recognised directly in equity								
Dividends	-	-	-	-	(671)	(671)	-	(671)
Recognition of share-based payments	-	-	131	-	-	131	-	131
Total	-	-	131	-	(671)	(540)	-	(540)
Balance as at 30 Sep 18	**21,297**	**(6,755)**	**363**	**(34)**	**11,212**	**26,083**	**16**	**26,099**

Company

	Share capital	Retained earnings	Total
	S$'000	S$'000	S$'000
Balance as at 1 Apr 19	21,297	619	21,916
Total comprehensive income for the period:			
Profit for the period	-	7	7
	21,297	626	21,923
Transaction with owners, recognised in equity			
Dividends	-	(672)	(672)
Balance as at 30 Sep 19	**21,297**	**(46)**	**21,251**
Balance as at 1 Apr 18	21,297	1,283	22,580
Total comprehensive loss for the period:			
Loss for the period	-	(16)	(16)
	21,297	1,267	22,564
Transaction with owners, recognised in equity			
Dividends	-	(671)	(671)
Balance as at 30 Sep 18	**21,297**	**596**	**21,893**

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

During the six months ended 30 September 2019, there has been no change in the issued and paid-up share capital of the Company. There are also no outstanding convertibles, treasury shares and subsidiary holdings as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

The total number of issued ordinary shares (excluding treasury shares) as at 30 September 2019 was 268,657,813 (31 March 2019: 268,657,813).

1(d)(iv) A statement showing all sales, transfers, disposals, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

Not applicable. The Company does not have any treasury shares.

1(d)(v) A statement showing all sales, transfers, disposals, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.

Not applicable. The Company does not have any subsidiary holdings.

2. Whether the figures have been audited or reviewed, and in accordance with which auditing standard or practice.

The figures have not been audited or reviewed by the Company's auditors.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter).

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

Except as disclosed under paragraph 5 below, the Group and the Company have consistently applied the same accounting policies and methods of computation in the preparation of the financial statements for the current financial period compared to the most recently audited annual financial statements.

5. If there are any changes in the accounting policies and methods of computation including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of the change.

The Group has applied the same accounting policies and methods of computation in the financial statements for the current reporting period as that of the audited financial statements for the year ended 31 March 2019, except for the adoption of the following new/revised SFRS(I) that is applicable for the financial period beginning 1 April 2019.

SFRS(I) 16 *Leases* will supersede SFRS(I) 1-17 *Leases* and its associated interpretative guidance effective from 1 April 2019 for the Group, unless early adopted. The identification of leases, distinguishing between leases and service contracts, are determined on the basis of whether there is an identified asset controlled by the customer.

Significant changes to lessee accounting are introduced, with the distinction between operating and finance leases removed and assets and liabilities recognised in respect of all leases (subject to limited exemptions for short-term leases and leases of low value assets). The standard maintains substantially the lessor accounting approach under the existing framework.

Upon adoption of SFRS(I) 16, the Group has recognised liabilities for non-cancellable operating lease commitments (other than those which fall within the exemptions stated above); and recognised right-of-use assets to be amortised on a straight-line basis over the lease period.

6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends:

	Group	
	1HFY2020	1HFY2019
Profit attributable to owners of the Company (S$'000)	**73**	1,769
Weighted average number of ordinary shares	**268,657,813**	268,657,813
Earnings per share (basic and diluted) (cents)	**0.03**	0.66

The basic and diluted earnings per share are the same as there were no potentially dilutive ordinary shares in issue as at 30 September 2019 and 31 March 2019.

7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the (a) current financial period reported on; and (b) immediately preceding financial year.

	Group		Company	
	As at 30 Sep 2019	As at 31 Mar 2019	**As at 30 Sep 2019**	As at 31 Mar 2019
Net Asset Value per share (cents)	**9.71**	9.92	**7.91**	8.16
Net Asset Value (S$'000)	**26,093**	26,655	**21,251**	21,916
Number of ordinary shares used	**268,657,813**	268,657,813	**268,657,813**	268,657,813

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:
(a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and
(b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

REVIEW OF GROUP'S PERFORMANCE

The Group registered a revenue of S$27.0 million for 1HFY2020, a decrease of S$7.7 million, or 22.2%, compared with the S$34.7 million recorded for 1HFY2019.

The decline in Group's turnover was mainly attributed to the decrease in contribution from its Engineering, Procurement and Construction segment of S$8.0 million, or 27.8%, as a result of heightened competition coupled with the general slowdown in economy. This was partially offset by a 5% rise, or S$0.3 million, in revenue from the Operations and Maintenance segment.

In tandem with the decrease in revenue, cost of contract works was reduced by S$5.8 million, or 19.8%, from S$29.3 million in 1HFY2019 to S$23.5 million in 1HFY2020.

Gross profit dipped by S$1.9 million, or 34.8%, from S$5.4 million in 1HFY2019 to S$3.5 million in 1HFY2020, mainly due to the decrease in gross profit from Engineering, Procurement and Construction segment.

Gross profit margin was shaved by 2.6 percentage points, from 15.7% in 1HFY2019 to 13.1% in 1HFY2020, from the decrease in margin from Engineering, Procurement and Construction segment.

Other income increased by S$0.02 million, or 15.2%, from S$0.11 million in 1HFY2019 to S$0.13 million in 1HFY2020, from an increase in government grants received.

Administrative expenses decreased by 7.8% from S$2.9 million in 1HFY2019 to S$2.7 million in 1HFY2020. Other operating expenses rose by 14.9%, mainly due to an increase in depreciation of the Group's property, plant and equipment as well as right-of-use assets.

Finance cost increased by 43.5% from S$0.05 million in 1HFY2019 to S$0.07 million in 1HFY2020, mainly due to additional finance cost arising from the lease liabilities.

Profit before tax for the Group declined by S$1.7 million, or 83.2%, from S$2.1 million in 1HFY2019 to S$0.4 million in 1HFY2020.

REVIEW OF GROUP'S FINANCIAL POSITION

Current assets decreased by 7.5%, from S$40.8 million as at 31 March 2019 to S$37.7 million as at 30 September 2019, mainly due to the decrease in trade and other receivables, which was partially offset by an increase in contract assets.

Trade and other receivables declined by 47.7%, from S$16.3 million as at 31 March 2019 to S$8.5 million as at 30 September 2019, which was in line with the increase in contract assets.

Contract assets rose by 24.8%, from S$15.4 million as at 31 March 2019 to S$19.3 million as at 30 September 2019, due to increase in retention sums and unbilled receivables.

Non-current assets increased by 6.6%, from S$11.2 million as at 31 March 2019 to S$11.9 million as at 30 September 2019, mainly due to the capitalisation of right-of-use assets of S$1.2 million upon adoption of SFRS(I) 16 *Leases*.

Current liabilities fell by 12.7%, from S$22.7 million as at 31 March 2019 to S$19.8 million as at 30 September 2019. This was mainly due to decrease in trade and other payables of S$2.9 million in line with lower revenue and decrease in income tax payable of S$0.1 million, partially offset by an increase in contract liabilities of S$0.1 million.

Non-current liabilities increased by 36.8%, from S$2.6 million as at 31 March 2019 to S$3.5 million as at 30 September 2019, as a result of recognition of lease liabilities of S$1.1 million upon adoption of SFRS(I) 16 *Leases,* offset by lower borrowings and finance leases.

REVIEW OF GROUP'S CASH FLOWS

Net cash from operating activities amounted to S$1.9 million due to operating cash flow before movements in working capital of S$1.0 million, adjusted for net cash inflow from working capital changes of S$1.1 million and income tax paid of S$0.3 million.

Net cash inflow from working capital of S$1.1 million was a result of a decrease in trade and other receivables of S$7.8 million, offset by an increase in contract assets of S$3.8 million and a decrease in trade and other payables of S$2.9 million.

Net cash used in investing activities amounted to S$0.1 million, mainly due to the purchase of property, plant and equipment.

Net cash used in financing activities amounted to S$0.9 million, as a result of a dividend payment of S$0.7 million and the repayment of borrowings, finance leases and lease liabilities of S$0.2 million.

Consequently, overall cash and cash equivalents rose by S$0.9 million to S$9.7 million in 1HFY2020.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

No forecast or prospect statement was previously made to shareholders.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

The Singapore government continues to focus on creating a sustainable water supply in the country. The public sector's water and waste management industry continues to be stable, supported by a robust pipeline of existing and future projects. Large-scale projects such as NEWater, desalinated water and Deep Tunnel Sewerage System (DTSS), provide the Group with potential business opportunities.

Leveraging on its established track record and proven expertise, the Group is well-positioned to secure more water and waste management projects in Singapore. It will also diligently monitor its operations to ensure that its service quality and competitive edge in public sector projects is maintained and continually enhanced.

The Group's business development unit continues to evaluate growth opportunities both within and outside of Singapore. This will bolster the Group's positioning as an expert in water and waste management in the greater ASEAN region, starting with Myanmar, providing the right infrastructure and footing for its expansion beyond Singapore.

11. Dividend:

(a) Any dividend declared for the current financial period reported on?

Nil.

(b) Corresponding period of the immediately preceding financial year?

Nil.

(c) Date payable

Not applicable.

(d) Book closure date

Not applicable.

12. If no dividend has been declared (recommended), a statement to that effect and the reason(s) for the decision.

No dividend has been declared or recommended for the current financial period under review. Declaration of dividend for the financial year will be determined at year end.

13. If the Group has obtained a general mandate from shareholders for interested person transactions ("IPTs"), the aggregate value of such transactions as required under Rule 920(1)(a)(ii) of the Catalist Rules. If no IPT mandate has been obtained, a statement to that effect.

The Group does not have a shareholders' mandate for interested person transactions. There were no interested person transactions of S$100,000 or more for the period under review.

14. Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7H) under Rule 720(1) of the Catalist Rules.

The Company has procured signed undertakings from all its directors and executive officers as set out in Appendix 7H under Rule 720(1) of the Catalist Rules.

15. Updates on use of IPO proceeds

Group	**Amount allocated**	**Amount utilised**	**Balance of net proceeds as at the date of this announcement**
	S$ million	**S$ million**	**S$ million**
Working capital to expand business operations through securing more projects and projects of a larger scale	5.74	-	5.74
Expansion of business premises	2.92	2.92	-
Expansion of business development department	1.06	0.98	0.08
Net proceeds from IPO	**9.72**	**3.90**	**5.82**

16. Confirmation by the Board Pursuant to Rule 705(5) of the Catalist Rules.

The Board of Directors confirms that, to the best of its knowledge, nothing has come to its attention which may render the unaudited financial statements for the half year ended 30 September 2019 to be false or misleading in any material aspect.

On behalf of the Board of Directors

Sim Hock Heng
Chief Executive Officer
13 November 2019