



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

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2023**

TABLE OF CONTENTS

	Page
A. Condensed interim consolidated statement of comprehensive income	2
B. Condensed interim statements of financial position	3
C. Condensed interim statements of changes in equity	4-5
D. Condensed interim consolidated statement of cash flows	6
E. Notes to the condensed interim consolidated financial statements	7-15
F. Other information pursuant to Appendix 7C of the Singapore Exchange Securities Trading Limited Listing Manual Section B: Rules of Catalyst (“Catalist Rules”)	15-21

This announcement has 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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Sanli Environmental Limited
Condensed Interim Financial Statements
For the Six Months Ended 30 September 2023 (“1H2024”)

A. CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Group		+ / (-)
		30 Sept 2023	30 Sept 2022	
		S\$'000	S\$'000	%
Revenue	4	50,656	39,020	29.8
Cost of contract works		(43,451)	(33,752)	28.7
Gross profit		<u>7,205</u>	<u>5,268</u>	36.8
Other income		194	452	(57.1)
Administrative expenses		(3,970)	(3,007)	32.0
Other operating expenses		(883)	(918)	(3.8)
Finance costs		(570)	(93)	>100.0
Profit before tax	6	<u>1,976</u>	<u>1,702</u>	16.1
Income tax	7	(362)	(366)	(1.1)
Profit for the period		<u>1,614</u>	<u>1,336</u>	20.8
Other comprehensive loss, net of tax:				
Exchange differences on translation of foreign operations		(16)	(51)	(68.6)
Total comprehensive income for the period		<u>1,598</u>	<u>1,285</u>	24.4
Profit (loss) for the period attributable to:				
Owners of the Company		1,621	1,483	9.3
Non-controlling interests		(7)	(147)	(95.2)
		<u>1,614</u>	<u>1,336</u>	20.8
Total comprehensive income (loss) for the period attributable to:				
Owners of the Company		1,605	1,447	10.9
Non-controlling interests		(7)	(162)	(95.7)
		<u>1,598</u>	<u>1,285</u>	24.4

Sanli Environmental Limited
Condensed Interim Financial Statements
For the Six Months Ended 30 September 2023 (“1H2024”)

B. CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION

	Note	Group		Company	
		As at 30 Sept 2023 S\$'000	As at 31 Mar 2023 S\$'000	As at 30 Sept 2023 S\$'000	As at 31 Mar 2023 S\$'000
ASSETS					
Current assets					
Cash and cash equivalents		12,051	19,802	71	81
Trade and other receivables		13,215	19,021	32	128
Contract assets		42,435	46,499	-	-
Total current assets		67,701	85,322	103	209
Non-current assets					
Property, plant and equipment	11	22,320	8,270	-	-
Right-of-use assets		2,577	1,310	-	-
Investment in subsidiaries	12	-	-	21,755	21,755
Deferred tax assets		58	56	-	-
Total non-current assets		24,955	9,636	21,755	21,755
Total assets		92,656	94,958	21,858	21,964
LIABILITIES AND EQUITY					
Current liabilities					
Borrowings	13	21,841	11,414	-	-
Trade and other payables		23,625	41,882	168	229
Contract liabilities		1,163	5,647	-	-
Lease liabilities	13	155	288	-	-
Income tax payable		468	691	-	-
Total current liabilities		47,252	59,922	168	229
Non-current liabilities					
Borrowings	13	12,206	2,802	-	-
Lease liabilities	13	2,467	1,057	-	-
Deferred tax liabilities		52	50	-	-
Total non-current liabilities		14,725	3,909	-	-
Capital, reserves and non-controlling interests					
Share capital	14	21,297	21,297	21,297	21,297
Treasury shares	14	(165)	(165)	(165)	(165)
Translation reserves		(218)	(202)	-	-
Merger reserves		(6,755)	(6,755)	-	-
Capital reserves		521	521	-	-
Retained earnings		15,987	16,412	558	603
Equity attributable to owners of the Company		30,667	31,108	21,690	21,735
Non-controlling interests		12	19	-	-
Total equity		30,679	31,127	21,690	21,735
Total liabilities and equity		92,656	94,958	21,858	21,964

Sanli Environmental Limited
Condensed Interim Financial Statements
For the Six Months Ended 30 September 2023 (“1H2024”)
C. CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY

Group	Share capital	Treasury shares	Capital reserves	Merger reserves	Translation reserves	Retained earnings	Equity attributable to owners of the Company	Non-controlling interests	Total equity
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Balance as at 1 April 2022	21,297	(165)	521	(6,755)	(141)	13,062	27,819	216	28,035
Total comprehensive income (loss) for the period									
Profit (loss) for the period	-	-	-	-	-	1,483	1,483	(147)	1,336
Other comprehensive loss for the period	-	-	-	-	(36)	-	(36)	(15)	(51)
Total					(36)	1,483	1,447	(162)	1,285
Transaction with owners, recognised directly in equity:									
Dividends paid to the owners of the Company	-	-	-	-	-	(999)	(999)	-	(999)
Balance as at 30 September 2022	21,297	(165)	521	(6,755)	(177)	13,546	28,267	54	28,321
Balance as at 1 April 2023	21,297	(165)	521	(6,755)	(202)	16,412	31,108	19	31,127
Total comprehensive income (loss) for the period									
Profit (loss) for the period	-	-	-	-	-	1,621	1,621	(7)	1,614
Other comprehensive loss for the period	-	-	-	-	(16)	-	(16)	-	(16)
Total					(16)	1,621	1,605	(7)	1,598
Transaction with owners, recognised directly in equity:									
Dividends paid to the owners of the Company	-	-	-	-	-	(2,046)	(2,046)	-	(2,046)
Balance as at 30 September 2023	21,297	(165)	521	(6,755)	(218)	15,987	30,667	12	30,679

Sanli Environmental Limited
Condensed Interim Financial Statements
For the Six Months Ended 30 September 2023 (“1H2024”)

Company	Share capital S\$'000	Treasury shares S\$'000	Retained earnings S\$'000	Total S\$'000
Balance as at 1 April 2022	21,297	(165)	619	21,751
Total comprehensive profit for the period:				
Profit for the period	-	-	989	989
Transaction with owners, recognised directly in equity:				
Dividends paid to the owners of the Company	-	-	(999)	(999)
Balance as at 30 September 2022	21,297	(165)	609	21,741
Balance as at 1 April 2023	21,297	(165)	603	21,735
Total comprehensive profit for the period:				
Profit for the period	-	-	2,001	2,001
Transaction with owners, recognised directly in equity:				
Dividends paid to the owners of the Company	-	-	(2,046)	(2,046)
Balance as at 30 September 2023	21,297	(165)	558	21,690

Sanli Environmental Limited
Condensed Interim Financial Statements
For the Six Months Ended 30 September 2023 (“1H2024”)

D. CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

	Group	
	Six months ended 30 Sept 2023	Six months ended 30 Sept 2022
	S\$'000	S\$'000
Cash flows from operating activities		
Profit before tax	1,976	1,702
Adjustments for:		
Depreciation of property, plant and equipment	659	629
Depreciation of right-of-use assets	145	189
Loss on disposal of right-of-use assets	215	-
Finance costs	570	93
Interest income	(84)	(18)
Exchange differences	(15)	(185)
Operating cash flows before movements in working capital	3,466	2,410
Trade and other receivables	5,806	(203)
Trade and other payables	(18,257)	3,981
Contract assets	4,064	(3,844)
Contract liabilities	(4,484)	(4,874)
Cash used in operations	(9,405)	(2,530)
Income tax paid	(585)	(5)
Net cash used in operating activities	(9,990)	(2,535)
Cash flows from investing activities		
Purchases of property, plant and equipment	(14,713)	(423)
Proceeds from disposal of property, plant and equipment	1	153
Interest received	84	18
Net cash used in investing activities	(14,628)	(252)
Cash flows from financing activities		
Dividends paid to owners of the Company	(2,046)	(999)
Proceeds from borrowings	20,234	481
Repayment of borrowings	(403)	(391)
Repayment of lease liabilities	(348)	(165)
Interest paid	(570)	(93)
Net cash from/(used in) financing activities	16,867	(1,167)
Net decrease in cash and cash equivalents	(7,751)	(3,954)
Cash and cash equivalents at beginning of the financial period	19,802	11,527
Cash and cash equivalents at end of the financial period	12,051	7,573

Sanli Environmental Limited
Condensed Interim Financial Statements
For the Six Months Ended 30 September 2023 (“1H2024”)

E. NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate information

Sanli Environmental Limited (the “Company”) is incorporated in Singapore (Registration No. 201705316M) with its principal place of business and registered office at 28 Kian Teck Drive, Singapore 628845. The Company was listed on the Catalist Board of the Singapore Exchange Securities Trading Limited (“SGX-ST”) on June 8, 2017.

The principal activities of the Company are those of investment holding and provision of management services. The principal activities of the subsidiaries are disclosed in Note 12 to the condensed interim consolidated financial statements.

2. Basis of preparation

The condensed interim financial statements have been prepared in accordance with Singapore Financial Reporting Standard (International) (“SFRS(I)”) 1-34 *Interim Financial Reporting*.

The condensed interim financial statements do not include all the information required for a complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to understanding the changes in the financial position and financial performance of the Group since the last financial statements for the financial year ended 31 March 2023.

The accounting policies adopted are consistent with those of the previous financial year which were prepared in accordance with SFRS(I)s. The adoption of new and amended standards is set out in Note 2.1.

The condensed interim financial statements are presented in Singapore dollar, the functional currency of the Company. All financial information presented in Singapore dollars is rounded to the nearest thousand (\$’000) except otherwise indicated.

2.1 New and amended standards adopted by the Group

The Group and the Company adopted all the new and revised SFRS(I) pronouncements that are relevant to its operations. The adoption of these new and revised SFR(I) pronouncements does not result in changes to the Group’s and the Company’s accounting policies and has no material effect on the amounts reported for the current or prior periods.

The following SFRS(I)s, SFRS(I) INTs and amendments to SFRS(I) that are relevant to the Group and the Company were issued but effective for annual periods beginning on or after 1 April 2024.

- Amendments to SFRS(I) 1-1: *Classification of Liabilities as Current or Non-current*
- Amendments to SFRS(I) 1-1: *Non-current Liabilities with Covenants*

Management anticipates that the adoption of the above SFRS(I)s, SFRS(I) INTs and amendments to SFRS(I) in future periods will not have a material impact on the financial statements of the Group and the Company in the period of their initial adoption.

2.2 Use of judgements and estimates

In preparing the condensed interim financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Sanli Environmental Limited
Condensed Interim Financial Statements
For the Six Months Ended 30 September 2023 (“1H2024”)

The significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the audited financial statements as at and for the financial year ended 31 March 2023.

3. Seasonal operations

The Group’s businesses were not affected significantly by seasonal or cyclical factors during the financial period reported on.

4. Segment and revenue information

For resource allocation and assessment of segment performance purposes, the Group’s Chief Operating Decision Makers (“CODM”) have focused on the business operating units which are segregated based on the type of services supplied. This forms the basis of identifying the segments of the Group under SFRS(I) 8 *Operating Segments*. The CODM comprises the Group’s Chief Executive Officer and the Executive Directors.

Operating segments are aggregated into a single reportable operating segment if they have similar economic characteristics, such as long-term average gross margins, and are similar in respect of the nature of services and process, type of customers, and if applicable, the nature of the regulatory environment.

For management purposes, the Group is currently organised into two operating segments:

- Engineering, Procurement and Construction (“EPC”) - provision of engineering, procurement and construction services relating to water and waste management.
- Operations and Maintenance (“O&M”) - provision of operations and maintenance services relating to water and waste management.

Sanli Environmental Limited
Condensed Interim Financial Statements
For the Six Months Ended 30 September 2023 (“1H2024”)

4.1. Reportable segments

Segment revenue and results

	Group	
	Six months ended 30 Sept 2023	Six months ended 30 Sept 2022
	\$'0000	\$'000
Revenue - EPC	40,894	31,847
Revenue - O&M	9,762	7,173
Total revenue	<u>50,656</u>	<u>39,020</u>
Gross profit - EPC	6,314	4,900
Gross profit - O&M	891	368
Total gross profit	<u>7,205</u>	<u>5,268</u>
Unallocated corporate expenses	(3,939)	(2,673)
Depreciation	(804)	(818)
Interest income	84	18
Finance costs	(570)	(93)
Profit before tax	<u>1,976</u>	<u>1,702</u>
Income tax	(362)	(366)
Profit for the period	<u>1,614</u>	<u>1,336</u>

Geographical segments

The Group’s information about the segment revenue by geographical location is detailed below:

	Group	
	Revenue	
	Six months ended 30 Sept 2023	Six months ended 30 Sept 2022
	\$'000	\$'000
Singapore	49,400	38,430
Myanmar	1,250	590
Malaysia	6	-
Total revenue	<u>50,656</u>	<u>39,020</u>

The Group’s information about the segment non-current assets by geographical location is detailed below:

	Group	
	Non-current assets	
	As at 30 Sept 2023	As at 31 Mar 2023
	\$'000	\$'000
Singapore	24,819	9,490
Myanmar	112	114
Malaysia	24	32
Total non-current assets	<u>24,955</u>	<u>9,636</u>

Sanli Environmental Limited
Condensed Interim Financial Statements
For the Six Months Ended 30 September 2023 (“1H2024”)

4.2. Disaggregation of revenue

	Group	
	Six months ended 30 Sept 2023	Six months ended 30 Sept 2022
	\$'000	\$'000
Over time:		
EPC	40,894	31,847
O&M	9,762	7,173
Total revenue	<u>50,656</u>	<u>39,020</u>

5. Financial instruments

The following table sets out the financial assets and liabilities as at the end of the reporting period:

	Group		Company	
	As at 30 Sept 2023	As at 31 Mar 2023	As at 30 Sept 2023	As at 31 Mar 2023
	\$'000	\$'000	\$'000	\$'000
Financial assets				
- amortised cost	21,862	35,155	77	184
Financial liabilities				
- amortised cost	57,672	56,098	168	229
- lease liabilities	2,622	1,345	-	-

5.1. Fair value of financial assets and liabilities

The carrying amounts of cash and cash equivalents, trade and other receivables and payables approximate their respective fair values due to the relatively short-term maturity of these financial instruments. Management is of the view that the carrying amounts of borrowings and lease liabilities approximate their respective fair values as the interest rates approximate the prevailing market rates.

The Group and the Company have no financial assets and financial liabilities that are measured at fair value on a recurring basis.

Sanli Environmental Limited
Condensed Interim Financial Statements
For the Six Months Ended 30 September 2023 (“1H2024”)

6. Profit before taxation

6.1 Significant items

	Group		
	Six months ended 30 Sept 2023	Six months ended 30 Sept 2022	+ / (-)
	S\$'000	S\$'000	%
Income			
Government grant income	87	380	(77.1)
Interest income	84	18	>100.0
Expenses			
Depreciation of property, plant and equipment	(659)	(629)	4.8
Depreciation of right-of-use assets	(145)	(189)	(23.3)
Net loss on foreign exchange	(90)	(101)	(10.9)
Interest expense	(570)	(93)	>100.0

6.2. Related party transactions

There were no material related party transactions during the 6 months financial period ended 30 September 2023 (“1H2024”) and the 6 months financial period ended 30 September 2022 (“1H2023”).

7. Income tax expenses

The Group calculates income tax expenses for the financial period using the tax rates prevailing in the relevant jurisdiction. The major components of income tax expense in the condensed interim consolidated statement of comprehensive income are:

	Group	
	Six months ended 30 Sept 2023	Six months ended 30 Sept 2022
	\$'000	\$'000
Income tax expense for the period	362	366

8. Dividend

	Group	
	Six months ended 30 Sept 2023	Six months ended 30 Sept 2022
	S\$'000	S\$'000
Dividends paid during the financial period in respect of the preceding financial year	2,046*	999

*First and final dividend of 0.768 cents per share for FY2023 (FY2022: 0.375 cents per share)

Sanli Environmental Limited
Condensed Interim Financial Statements
For the Six Months Ended 30 September 2023 (“1H2024”)

9. Net asset value

Net asset value (for the Company and the 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 Sept 2023	As at 31 Mar 2023	As at 30 Sept 2023	As at 31 Mar 2023
Net asset value per share (cents)	11.51	11.68	8.14	8.16
Net asset value attributable to owners of the Company (S\$'000)	30,667	31,108	21,690	21,735
Number of ordinary shares used	266,432,113	266,432,113	266,432,113	266,432,113

10. Earnings per share

Earnings per ordinary share excluding treasury shares 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	
	Six months ended 30 Sept 2023	Six months ended 30 Sept 2022
Profit attributable to owners of the Company (S\$'000)	1,621	1,483
Weighted average number of ordinary shares	266,432,113	266,432,113
Earnings per share (basic and diluted) (cents)	0.61	0.56

The basic and diluted loss per share and earnings per share are the same as there were no potentially dilutive ordinary shares in issue as at 30 September 2023 and 30 September 2022.

11. Property, plant and equipment

During the six-month period ended 30 September 2023, the Group acquired assets amounting to S\$14,713,000 (30 September 2022: S\$423,000) and disposed of assets with net book value amounting to S\$1,000 (30 September 2022: S\$153,000).

Sanli Environmental Limited
Condensed Interim Financial Statements
For the Six Months Ended 30 September 2023 (“1H2024”)

12. Investment in subsidiaries

	Company	
	As at	As at
	30 Sept 2023	31 Mar 2023
	\$'000	\$'000
Unquoted equity shares, at cost	21,755	21,755

Details of the Group’s subsidiaries are as follows:

Name of subsidiary	Principal activities	Country of incorporation and operation	Effective equity interest of the Group	
			As at	As at
			30 Sept 2023	31 Mar 2023
			%	%
Sanli M&E Engineering Pte. Ltd.	Engineering, procurement and construction solutions and services in the field of water and waste management.	Singapore	100	100
Sanli M&E Engineering Sdn. Bhd.	Project management, contracting and M&E engineering services in the water treatment industry.	Malaysia	100	100
Sanli E&C Pte. Ltd.	Engineering, procurement and construction solutions and services in the field of water and waste management.	Singapore	100	100
Sanli Environmental (Myanmar) Co. Ltd.	Engineering, procurement and construction solutions and services in the field of water and waste management.	Myanmar	60	60
Link Control Co. Ltd.	Business support and administrative activities.	Myanmar	21	21
Enviro Plants & Engineering Pte. Ltd.	General contractors and environmental engineering design and consultancy services.	Singapore	100	100
Mag Chemical Pte. Ltd.	Manufacture of water treatment, waste treatment and oilfield chemicals.	Singapore	100	100

Sanli Environmental Limited
Condensed Interim Financial Statements
For the Six Months Ended 30 September 2023 (“1H2024”)

13. Borrowings

	Group			
	As at 30 Sept 2023		As at 31 Mar 2023	
	Secured	Unsecured	Secured	Unsecured
	S\$'000	S\$'000	S\$'000	S\$'000
Amount repayable in one year or less, or on demand				
Borrowings	21,841	-	11,414	-
Lease liabilities	155	-	41	247
Amount repayable after one year				
Borrowings	12,206	-	2,802	-
Lease liabilities	2,467	-	985	72
Total	36,669	-	15,242	319

Details of collaterals:

- i. Bank borrowings are secured by bank deposits, mortgages of leasehold properties, corporate guarantees from the Company and securities assignment.
- ii. Lease liabilities are secured by lessors' title to the leasehold properties.

14. Share capital

14.1 Details of any changes in the Company's issued share capital (excluding treasury shares)

	Group and Company			
	As at	As at	As at	As at
	30 Sept 2023	31 Mar 2023	30 Sept 2023	31 Mar 2023
	Number of ordinary shares ('000)		\$'000	\$'000
Issued and paid up:				
At beginning and end of financial period/year	266,432	266,432	21,297	21,297

Fully paid ordinary shares, which have no par value, carry one vote per share and a right to dividends as and when declared by the Company.

The Company does not hold any convertible instruments as at 30 September 2023 and 31 March 2023.

The Company's subsidiaries do not hold any shares in the Company as at 30 September 2023 and 31 March 2023.

Sanli Environmental Limited
Condensed Interim Financial Statements
For the Six Months Ended 30 September 2023 (“1H2024”)

14.2 Details of any changes in the Company’s treasury shares

	Group and Company			
	As at 30 Sept 2023	As at 31 Mar 2023	As at 30 Sept 2023	As at 31 Mar 2023
	Number of ordinary shares (‘000)		\$’000	\$’000
At the beginning and end of the financial period/year	2,226	2,226	165	165

15. Subsequent events

There are no known subsequent events that have led to adjustments to this set of condensed interim financial statements.

OTHER INFORMATION PURSUANT TO APPENDIX 7C OF THE CATALIST RULES

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

The condensed interim consolidated statement of financial position of the Group and the condensed interim statement of financial position of the Company as at 30 September 2023, and the condensed interim consolidated statement of comprehensive income, condensed interim consolidated statement of changes in equity and condensed interim consolidated statement of cash flows of the Group and the condensed interim statement of changes in equity of the Company for the six-months period ended 30 September 2023, and certain explanatory notes have not been audited or reviewed by the Company’s auditors.

2. Where the latest financial statements are subject to an adverse opinion, qualified opinion or disclaimer of opinion:

(a) Updates on the efforts taken to resolve each outstanding audit issue.

(b) Confirmation from the Board that the impact of all outstanding audit issues on the financial statements have been adequately disclosed.

This is not required for any audit issue that is a material uncertainty relating to going concern.

The Group's latest audited financial statements for the financial year ended 31 March 2023 were not subject to an adverse opinion, qualified opinion or disclaimer of opinion issued by the Company’s auditors.

Sanli Environmental Limited
Condensed Interim Financial Statements
For the Six Months Ended 30 September 2023 (“1H2024”)

3. 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.

3.1 Review of the Group’s financial performance

Revenue

Revenue increased by S\$11.6 million or 29.8% from S\$39.0 million in 1H2023 to S\$50.6 million in 1H2024.

The increase was attributed to higher contributions from Engineering, Procurement and Construction (“EPC”) and Operations and Maintenance (“O&M”) segments. The revenue of EPC increased by S\$9.1 million or 28.4% from S\$31.8 million in 1H2023 to S\$40.9 million in 1H2024, contributed mainly from the larger projects. The revenue of O&M increased by S\$2.6 million or 36.1% from S\$7.2 million in 1H2023 to S\$9.8 million in 1H2024 as the Group secured more O&M contracts during the period.

Cost of contract works, gross profit and gross profit margin

The cost of contract works increased by S\$9.7 million or 28.7% from S\$33.8 million in 1H2023 to S\$43.5 million in 1H2024, mainly due to the increase in the cost of contract works from the EPC segment in line with the increase in revenue. The cost of contract works from the O&M segment also increased due to higher labour costs as we engaged more subcontract workers during the period.

The gross profit increased by S\$1.9 million or 36.8% from S\$5.3 million in 1H2023 to S\$7.2 million in 1H2024, attributed mainly to the higher revenue and higher gross profit margin from the EPC and O&M segments.

The gross profit margin increased from 13.5% in 1H2023 to 14.2% in 1H2024, contributed from both EPC and O&M segments.

Other income

Other income decreased by S\$0.3 million from S\$0.5 million in 1H2023 to S\$0.2 million in 1H2024 mainly due to lower government grants received during the period.

Administration expenses

Administrative expenses for 1H2024 increased by S\$1.0 million or 32.0% from S\$3.0 million in 1H2023 to S\$4.0M in 1H2024, mainly due to higher operating expenses such as director remuneration, property tax, office rental and staff salary.

Other operating expenses

Other operating expenses decreased by S\$35,000 or 3.8% from S\$918,000 in 1H2023 to S\$883,000 in 1H2024 mainly due to the decrease in foreign exchange loss.

Sanli Environmental Limited
Condensed Interim Financial Statements
For the Six Months Ended 30 September 2023 (“1H2024”)

Finance costs

Finance costs increased by S\$477,000 from S\$93,000 in 1H2023 to S\$570,000 in 1H2024 mainly due to increased bank borrowings and higher interest rates.

Profit for the period

As a result of the above, the Group’s profit for 1H2024 was S\$1.6 million, an increase of S\$0.3 million as compared to 1H2023.

3.2. Review of the Group’s financial position

Current assets

Current assets decreased from S\$85.3 million as at 31 March 2023 to S\$67.7 million as at 30 September 2023, mainly due to the decrease in cash and cash equivalents of S\$7.8 million, trade and other receivables of S\$5.8 million and contract assets of S\$4.1 million.

The decrease of trade and other receivables is mainly due to the prompt collections from customers.

Cash and cash equivalents decreased from S\$19.8 million as at 31 March 2023 to S\$12.1 million as at 30 September 2023, please refer to Section 3.3 of this announcement titled “Review of the Group’s cash flows” for the reasons.

Contract assets decreased from S\$46.5 million as at 31 March 2023 to S\$42.4 million as at 30 September 2023 mainly due to the billings of the ongoing projects following the completion of the projects’ milestones during the financial period.

Non-current assets

Non-current assets increased from S\$9.6 million as at 31 March 2023 to S\$25.0 million as at 30 September 2023, mainly due to the purchase of new property at 22 Chin Bee Drive as announced on 19 June 2023 and 15 September 2023 and the increase in the purchase of equipment to support the operation of the Group.

Current liabilities

Current liabilities decreased from S\$59.9 million as at 31 March 2023 to S\$47.3 million as at 30 September 2023, mainly due to the decrease in contract liabilities and trade and other payables, partially offset by the increase in bank borrowings on new property purchased.

Contract liabilities decreased from S\$5.6 million as at 31 March 2023 to S\$1.2 million as at 30 September 2023 due to the decrease in advance billings.

Trade and other payables decreased from S\$41.9 million as at 31 March 2023 to S\$23.6 million as at 30 September 2023 due to the settlements of the suppliers’ invoices of the major ongoing EPC projects when they fall due.

Sanli Environmental Limited
Condensed Interim Financial Statements
For the Six Months Ended 30 September 2023 (“1H2024”)

Non-current liabilities

Non-current liabilities increased from S\$3.9 million as at 31 March 2023 to S\$14.7 million as at 30 September 2023, mainly due to additional bank borrowings on new property purchased.

3.3. Review of the Group’s cash flows

Net cash used in operating activities amounted to S\$10.0 million due to operating cash flows before movements in working capital of S\$3.5 million, adjusted for net cash outflow from working capital changes of S\$12.9 million and income tax paid of S\$0.6 million.

Net cash outflow from working capital of S\$12.9 million was due to:

- a) the decrease in trade and other payables of S\$18.3 million due to the settlements of the suppliers’ invoices of the major ongoing EPC projects when they fall due;
- b) the decrease in contract liabilities of S\$4.5 million due to the decrease in advance billings; and offset by
 - a) the decrease in contract assets of S\$4.1 million due to the billings of the ongoing projects following the completion of the projects’ milestones during the financial period; and
 - b) the decrease in trade and other receivables of S\$5.8 million due to prompt collections from customers.

Net cash used in investing activities of S\$14.6 million mainly due to the purchases of property, plant and equipment in order to enhance the capabilities and efficiencies of Group’s operation.

Net cash generated in financing activities of S\$16.9 million was due to an increase in bank borrowings of S\$20.2 million incurred mainly for the purchase of the property at 22 Chin Bee Drive, offset by the payment of dividends of S\$2.0 million and the repayment of bank borrowings and lease liabilities with interests of S\$1.3 million.

As a result of the above, there was a net decrease of S\$7.8 million in cash and cash equivalents in 1H2024.

4. 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.

5. 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 operating period and the next 12 months.

The Group’s revenue increased by 29.8% to S\$50.6 million for the six months ended 30 September 2023 (“1H2024”) from S\$39.0 million in six months ended 30 September 2022 (“1H2023”), with the profit after tax increasing by 20.8% to S\$1.6 million in 1H2024 from S\$1.3 million in 1H2023.

With the normalisation of the Group’s business activities back to pre-COVID-19 pandemic levels, the Group’s revenue recorded higher contributions from both Engineering, Procurement and Construction (“EPC”) and its Operations and Maintenance (“O&M”) segments.

Sanli Environmental Limited
Condensed Interim Financial Statements
For the Six Months Ended 30 September 2023 (“1H2024”)

The Group continues to bid for major municipal projects in Singapore while executing projects in its orderbook. The Group’s orderbook currently stands at S\$325 million and is expected to be completed by early 2027. While continuing to tender for larger-scale projects that leverage its engineering expertise and strong track record, the Group will also continue its expansion into the manufacturing and industrial sectors, while exploring opportunities for partnerships, JVs or M&As to further boost its growth.

Notwithstanding this, current geo-political tensions continue to impact on the global economy and cause inflationary pressures, which may have an impact on the operations of the Group.

Consolidation of Operations

As announced on 15 September 2023, the Group has completed its acquisition of 22 Chin Bee Drive, Singapore 619870 (the “Property”), with a total gross floor area of approximately 120,653 square feet. The Property features a 4-storey height single user factory, a 6-storey ancillary office and a 5-storey annex building with a workers’ dormitory. With the Property, the Group is able to streamline its corporate office and workshops, while providing a centralised accommodation solution for its foreign workforce.

With the Property equipped to house up to 270 foreign workers, the Group is now well positioned to effectively address the dormitory shortage that previously hampered its operations. The Company’s O&M workshop and its magnesium hydroxide slurry manufacturing operation will also be consolidated at the Property, thereby enhancing management oversight of all the Group’s business units, increasing operational efficiencies, lowering overall operating costs, and reducing the reliance on dormitory facilities provided by third parties.

Expanding into Industrial Sector

The Group’s wholly-owned subsidiary, Enviro Plant & Engineering Pte. Ltd. (“EPE”) has started to make forays into the industrial sector as part of the Group’s customer diversification efforts. EPE provides environmental engineering solutions for water and wastewater treatment, air pollution control and solid waste management to the industrial plant sector in Singapore and Southeast Asia. During 1H2024, EPE secured a contract worth S\$4.57 million for designing, fabricating and installing an Air Scrubber Process Exhaust System for a semiconductor company in Singapore, and the project is expected to be completed in April 2024.

Diversification into Manufacturing Business

The Group’s wholly-owned subsidiary, Mag Chemical Pte. Ltd. (“MagChem”), has been proactively engaging potential customers to explore business opportunities and expand its market presence. MagChem has been marketing its magnesium hydroxide slurry product by actively participating in exhibitions in Singapore and in the Southeast Asia region. This magnesium slurry manufacturing business is part of the Group’s diversification strategy to capitalise on opportunities in green technologies that can utilise its existing knowledge and expertise, so as to extend its revenue base.

Sanli Environmental Limited
Condensed Interim Financial Statements
For the Six Months Ended 30 September 2023 (“1H2024”)

Update on Sanli Myanmar (defined herein)

Although the operating environment of the Group’s 60%-owned subsidiary, Sanli Environmental (Myanmar) Company Limited (“Sanli Myanmar”) has somewhat stabilised, the overall political situation in Myanmar continues to be a dampener to its growth. For 1H2024, Sanli Myanmar contributed approximately 2.5% of the Group’s revenue.

Outlook

Despite the uncertain macro-economic environment and inflationary pressures, the Group continues to be hopeful that current geopolitical tensions will improve and that the global economy and industries will stabilise in the longer term. Barring any unforeseen circumstances, the Group remains cautiously optimistic for the outlook for the financial year ending 31 March 2024.

6. Dividend information

6a. Current financial period reported on

Any interim dividend recommended for the current financial period reported on?

No interim dividend has been declared or recommended for the current financial period under review.

6b. Corresponding period of the immediate preceding financial year

Any interim dividend declared for the corresponding period of the immediately preceding financial year?

No.

6c. Date payable

Not applicable.

6d. Date on which registrable transfers received by the Company will be registered before entitlements to the dividend are determined

Not applicable.

7. If no dividend has been declared/recommended, a statement to that effect.

No dividend has been declared or recommended for the financial period ended 30 September 2023 in view of the Group’s operational and financial cash needs.

8. Interested person transactions

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

Sanli Environmental Limited
Condensed Interim Financial Statements
For the Six Months Ended 30 September 2023 (“1H2024”)

9. Disclosure of acquisitions (including incorporations) and realisations of shares since the end of the previous reporting period pursuant to Rule 706A of the Catalist Rules

The Group does not have any acquisitions (including incorporations) and realisations of shares since the end of the previous reporting period.

10. Confirmation that the issuer has procured undertaking 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 confirms that all the required undertakings under Rule 720(1) of the Catalist Rules have been obtained from all its directors and executive officers in the format set out in Appendix 7H of the Catalist Rules.

11. Confirmation by the Board pursuant to Rule 705(5) of the Catalist Rules

The Board of Directors of the Company confirms that, to the best of its knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the condensed interim consolidated financial statements for the six months ended 30 September 2023 (unaudited) to be false or misleading in any material aspect.

On behalf of the Board of Directors

Sim Hock Heng
Chief Executive Officer
14 November 2023