



SANLI ENVIRONMENTAL LIMITED

Company Registration No.: 201705316M
(Incorporated in the Republic of Singapore)

PROPOSED DISPOSAL OF PROPERTY LOCATED AT 50 TUAS AVENUE 11, #02-15 SINGAPORE 639107

1. INTRODUCTION

The Board of Directors (the "**Board**") of Sanli Environmental Limited (the "**Company**" and together with its subsidiaries, the "**Group**") wishes to announce that Sanli M&E Engineering Pte Ltd ("**Sanli M&E**"), a wholly-owned subsidiary of the Company, has granted an option to purchase (the "**Option**") to Brain Chem Int Pte. Ltd. (the "**Purchaser**") in respect of a leasehold property located at 50 Tuas Avenue 11, #02-15, Singapore 639107 (the "**Property**") at a purchase consideration of S\$808,000 (excluding goods and services tax) ("**Purchase Consideration**"), on the terms and subject to the conditions of the Option ("**Proposed Disposal**"). The Purchaser is an independent and unrelated third party and has duly exercised the Option on 10 September 2020.

2. INFORMATION ON THE PROPERTY

The Property is a private leasehold property with a leasehold tenure of 30 years commencing from 15 February 2008. The Property comprises of 1 unit of industrial office, with a built-in area of 8,869 square feet. The Property is currently rented to the Purchaser for rental income.

3. SALIENT TERMS OF THE OPTIONS

Purchase Consideration

The Purchase Consideration for the Property is S\$808,000 (excluding goods and services tax). The Purchase Consideration was arrived at on a willing buyer and willing seller basis after arms' length negotiations between the Company and the Purchaser. In deriving the Purchase Consideration, the Group had taken into account the (i) Net asset value of the Property and the gain on disposal; (ii) Singapore property market conditions; (iii) ongoing mortgage payments; and (iv) the current economic environment in lieu of the COVID-19 pandemic.

Based on the audited net asset value of the Property as at 31 March 2020 of approximately S\$568,958, the Proposed Disposal is expected to result in a gain on disposal of approximately S\$239,042. No independent valuation was performed in respect of the Property.

Under the Option, the Purchase Consideration in relation to the Property, shall be payable by the Purchaser to Sanli M&E in cash as follows:

- (a) the sum of S\$8,080 (excluding goods and services tax) (the “**Option Fee**”), which is equivalent to 1% of the Purchase Consideration, shall be payable upon the grant of the Option by Sanli M&E;
- (b) the balance deposit of S\$32,320, which is equivalent to 4% of the Purchase Consideration, shall be payable upon exercise of the Option by the Purchaser; and
- (c) the balance of the Purchase Consideration in relation to the Property, which is equivalent to 95% of the Purchase Consideration, shall be payable upon completion of the Proposed Disposal.

As at the date of this announcement, the Purchaser has paid the Option Fee of S\$8,080 and the balance deposit of S\$32,320.

4. RATIONALE FOR THE PROPOSED DISPOSAL

The Board believes that the Proposed Disposal is in the best interests of the Group and the Shareholders, as it will enable the Group to realise the value of the Property, which is currently leased out to the Purchaser. The Proposed Disposal will result in a positive cash inflow of S\$462,844 (post-deductions for the payment of the mortgage loan), thereby improving the liquidity of the Group. This would also allow the Group to reallocate its resources to improve and optimise the utilisation of assets.

5. USE OF PROCEEDS

The Company expects to receive a net proceed of approximately S\$808,000 (as there is no commission fee) from the Proposed Disposal. The Company intends to utilise the net proceeds to pay off a mortgage loan of S\$345,156 secured by the Property and for the general working capital requirements of the Group.

Pending the deployment of the unutilised proceeds for the purposes mentioned above, such proceeds may be deposited with banks and/or financial institutions, invested in short-term money markets and/or marketable securities, or used for any other purpose on a short-term basis, as the Directors may deem appropriate in the interests of the Group.

6. FINANCIAL EFFECTS OF THE PROPOSED DISPOSAL

The financial effects of the Proposed Disposal set out below are purely for illustrative purposes only and do not reflect the actual future financial position of the Company or the Group after the completion of the Proposed Disposal.

The financial effects of the Proposed Disposal were calculated based on the audited consolidated financial statements of the Group for the financial year ended 31 March 2020 (“**FY2020**”), being the most recently completed financial year for which financial statements are publicly available as at the date of this announcement.

6.1 Net Tangible Assets (“NTA”)

The effect of the Proposed Disposal on the NTA per share of the Group for FY2020, assuming that the Proposed Disposal had been effected as at 31 March 2020 is as follows:

As at 31 March 2020	Before the Proposed Disposal	After the Proposed Disposal
NTA (S\$'000)	26,352	26,591
Number of issued shares ⁽¹⁾	268,657,813	268,657,813
NTA per share (Cents)	9.81	9.90

Note:

- (1) Based on the total number of issued ordinary shares in the capital of the Company (“**Shares**”) of 268,657,813 as at 31 March 2020.

6.2 Earnings per Share

The effect of the Proposed Disposal on the earnings per share of the Group for FY2020, assuming that the Proposed Disposal had been effected on 1 April 2019 is as follows:

FY2019	Before the Proposed Disposal	After the Proposed Disposal
Profit attributable to owners of the Company (S\$'000)	2,220	2,459
Number of issued shares ⁽¹⁾	268,657,813	268,657,813
Earnings per Share (Cents)	0.83	0.92

Note:

- (1) Based on the total number of issued ordinary shares in the capital of the Company ("Shares") of 268,657,813 as at 1 April 2019.

7. RELATIVE FIGURES COMPUTED BASED ON RULE 1006 OF THE CATALIST RULES

Based on the latest announced audited consolidated financial statements of the Group for FY2020, the relative figures for the Proposed Disposal computed on the relevant bases set out in Rule 1006 of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited ("SGX-ST") (the "Catalist Rules") are set out below:

Rule	Bases	Relative Figure
1006 (a)	The net asset value of the assets to be disposed of, compared with the group's net asset value. This basis is not applicable to an acquisition of assets.	2.2% ⁽¹⁾
1006 (b)	The net profits attributable to the assets acquired or disposed of, compared with the Group's net profits as at 31 March 2020.	11.4% ⁽²⁾
1006 (c)	The aggregate value of the consideration given or received, compared with the issuer's market capitalisation, based on the total number of issued shares excluding treasury shares.	4.2% ⁽³⁾
1006 (d)	The number of equity securities issued by the issuer as consideration for an acquisition, compared with the number of equity securities previously in issue.	Not applicable ⁽⁴⁾
1006(e)	The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the Group's proved and probable reserves. This basis is applicable to a disposal of mineral, oil or gas assets by a mineral, oil or gas company, but not to an acquisition of such assets.	Not applicable ⁽⁵⁾

Notes:

- (1) Based on the net asset value of the Group of S\$26,352,000 as at 31 March 2020 and the net asset value of the Property of S\$568,958 as at 31 March 2020.
- (2) Based on the net profits attributable to the Property of S\$75,600 and the net profits of the Group of S\$661,000 for FY2020.

As the relative figure under Rule 1006(b) exceeds 5% but does not exceed 50%, the Proposed Disposal constitutes a disclosable transaction within the meaning of Chapter 10 of the Catalyst Rules.

- (3) Based on the Purchase Consideration of S\$808,000 and the Company's market capitalisation of approximately S\$19.3 million (being the issued ordinary share capital of the Company ("**Shares**") of 268,657,813 Shares and the volume weighted average price of the Company's shares of S\$0.072 on 9 September 2020, which is the last full market day on which the Shares were traded prior to the date of exercising the Option.
- (4) The Proposed Disposal is not an acquisition of assets.
- (5) The Company is not a mineral, oil or gas company.

Having regard to the above, as the relative figures as computed on the bases as set out under Rule 1006 (a) to (c) in respect of the Proposed Disposal does not exceed 50%, the Proposed Disposal would constitute a disclosable transaction within the meaning of Chapter 10 of the Catalyst Rules. As such, no approval from shareholders of the Company will be required for the Proposed Disposal.

8. INTEREST OF DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the directors or controlling shareholders of the Company and their respective associates has any interest, direct or indirect, in the Proposed Disposal, other than through their respective shareholdings in the Company.

9. DOCUMENTS FOR INSPECTION

A copy of the Option is available for inspection at the registered office of the Company at 28 Kian Teck Drive, Singapore 628845 for a period of three (3) months from the date of this announcement.

By Order of the Board
Sanli Environmental Limited

Chua Teck Huat
Chief Executive Officer
10 September 2020

This announcement has been reviewed by the Company's sponsor ("Sponsor"), SAC Capital Private Limited. This announcement has not been examined or approved by 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. The contact person for the Sponsor is Mr David Yeong (Tel: (65) 6232 3210) at 1 Robinson Road, #21-00 AIA Tower, Singapore 048542.