



SANLI ENVIRONMENTAL LIMITED
(Company Registration No. 201705316M)

ENTRY INTO JOINT VENTURE AGREEMENT

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 the Group’s wholly-owned subsidiary, Sanli M&E Engineering Pte. Ltd. (“**Sanli M&E**”), has entered into a joint venture agreement dated 6 December 2023 (the “**Agreement**”) with Engreen Fa & Asset Wise Co., Ltd. (“**Engreen**”) and Warunee Benjatammakul (“**Ms Warunee**”) pursuant to which the parties thereto (the “**Parties**”) shall collaborate and jointly incorporate a joint venture company (the “**JV Company**”) in Thailand to invest in and undertake commercial and industrial water and wastewater treatment and renewable energy projects within Thailand (the “**Joint Venture**”).

2. INFORMATION ON THE JOINT VENTURE PARTNERS

Engreen is a company registered in Thailand and carries on the business of supplying solar power systems. The directors of Engreen are Mr Anek Govittavipat and Mr Chaipruk Fongkaew. The major shareholders of Engreen are Mr Anek Govittavipat, Mr Chaipruk Fongkaew and Mr Chatniti Jinawan.

Ms Warunee is a Thai individual.

Prior to the Joint Venture, Engreen, its directors and shareholders, and Ms Warunee are not related to the Group, the Company, its directors and controlling shareholders and their respective associates.

3. SALIENT TERMS OF THE AGREEMENT

3.1 Formation and share capital of the JV Company

Pursuant to the Agreement, the Parties shall cooperate to register the JV Company with the Department of Business Development under Ministry of Commerce in Thailand as soon as reasonably possible. The JV Company shall have a total registered capital of THB1,000,000, divided into 10,000 shares with a par value of THB100 each. The paid-up capital for the shares at the time of registration of the JV Company shall be 25% of the share value. Upon the completion of the registration of the JV Company, the Parties shall procure that the shareholding structure of the JV Company shall be as follows:

Shareholder	Registered Amount of Capital (THB)	Contribution Amount (THB)	Number of Shares Held	Share Percentage Held (%)
Sanli M&E	490,000	122,500	4,900	49
Engreen	490,000	122,500	4,900	49
Ms Warunee	20,000	5,000	200	2
Total	1,000,000	250,000	10,000	100

3.2 Business of the JV Company

The business of the JV Company shall include:

- (a) provision of engineering, procurement and construction (“**EPC**”) services for water and wastewater treatment projects;
- (b) provision of operations and maintenance (“**O&M**”) services for water and wastewater treatment projects;
- (c) developing, building, owning and operating water or wastewater treatment projects;
- (d) developing and investing in roof-top solar power generation systems through the power purchase agreement model with customers and users;
- (e) provision of EPC services for the solar power generation systems undertaken by the JV Company;
- (f) provision of O&M services for the solar power generation systems undertaken by the JV Company;
- (g) management of all solar power generation system assets of the JV Company;
- (h) all activities related to the renewable energy business; and
- (i) any other business activities as agreed by the Parties.

The operation of the business activities outlined in sub-paragraphs (d) to (g), which fall under the renewable energy sector, are conditional upon the receipt of the approval of shareholders of the Company for the proposed diversification of the Group’s business to include the renewable energy business as part of its ordinary business (the “**Proposed Diversification**”). The Company will be convening an extraordinary general meeting to seek shareholders’ approval for the Proposed Diversification and will issue a circular containing details of the Proposed Diversification in connection therewith, in due course.

3.3 Role of each shareholder of the JV Company

Under the terms of the Agreement, each Party shall carry out its respective responsibilities which include the following:

- (a) Sanli M&E shall be responsible for providing or procuring the provision of working capital for the JV Company;
- (b) Engreen shall be responsible for procuring all requisite permits and licences required for the business of the JV Company, all aspects of sales, marketing and accounting services required by the JV Company, and providing EPC and O&M services for projects undertaken by the JV Company; and
- (c) Ms Warunee shall be responsible for general management of the JV Company.

3.4 Board composition and control

The board of directors of the JV Company shall consist of two directors. Each of Sanli M&E and Engreen shall nominate one director. The director nominated by the Sanli M&E shall be appointed as the chairman of the board of directors of the JV Company for the first year. The director nominated by Engreen shall be appointed as the chairman of the board of directors of the JV Company for the second year. From the third year onwards, the position of the chairman will be rotated annually between the director nominated by Sanli M&E and the director nominated by Engreen.

The chairman shall be entitled to vote at a board meeting of the JV Company in his capacity as a director but shall not have a casting vote. Any deadlock shall be resolved in accordance with the provisions of the Agreement.

3.5 Reserved matters

The Agreement sets out certain customary matters which require (i) the unanimous approval of all directors of the JV Company, or (ii) the approval of at least 75% of the votes of the shareholders entitled to vote and present at the shareholders' meeting.

4. RATIONALE FOR THE JOINT VENTURE

The Group's entry into the Joint Venture is in line with the Group's strategy to extend its revenue base. The Board has identified the growth potential of the renewable energy business, with countries in the region aiming to reduce their carbon footprint and promote sustainable development while addressing rising energy demand. For this purpose, the Company will be seeking the approval of its shareholders for the Proposed Diversification. Subject to the receipt of shareholders' approval for the Proposed Diversification, the Joint Venture will serve as the Group's first step in pursuing the renewable energy business by collaborating with partners who possess the requisite experience and expertise.

5. FINANCIAL EFFECTS OF THE JOINT VENTURE

The subscription of shares in the JV Company by Sanli M&E will be funded through the Group's internal resources and the Joint Venture is not expected to have any material impact on the earnings per share or net tangible assets per share of the Group for the financial year ending 31 March 2024.

6. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the Directors or controlling shareholders of the Company has any interest, directly or indirectly, in the JV Company or the Joint Venture, save through his shareholding in the Company (if any).

7. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the Agreement is available for inspection at the registered office of the Company at 28 Kian Teck Drive, Singapore 628845 for three months from the date of this announcement.

By Order of the Board

Sim Hock Heng
Chief Executive Officer and Executive Director
6 December 2023

*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 Ms Lee Khai Yinn (Tel: (65) 6232 3210) at 1 Robinson Road, #21-00 AIA Tower, Singapore 048542.*