SANLI ENVIRONMENTAL LIMITED

MEDIA RELEASE

For Immediate Release

Sanli's 1HFY2019 revenue increases 12.9% to S$34.7 million

- **Gross profit margin remains consistent at 15.7%**
- **Net asset value per share increases to 9.7 cents as at end 1HFY2019**
- **Established track record and strong capabilities helped revenue growth, as competition remains keen**

(S$'000)	1HFY2019	1HFY2018	% change
Revenue	34,728	30,754	12.9
Gross profit	5,437	4,861	11.8
Gross profit margin	*15.7%*	*15.8%*	-
Profit before tax	2,102	1,096	91.8
Profit before tax *(excluding one-off IPO expenses)*	2,102	2,327	(9.7)

SINGAPORE, 13 November 2018 – Sanli Environmental Limited ("**Sanli**" and together with its subsidiaries, the "**Group**"), an environmental engineering company with more than ten years of experience and over 1,000 completed projects in the field of water and waste management under its belt, today announced that it achieved revenue growth of 12.9% year-on-year to S$34.7 million for the six months ended 30 September 2018 (**"1HFY2019"**).

Commenting on the results, Mr Sim Hock Heng, Chief Executive Officer of Sanli said, "*We are very encouraged by the results achieved, in spite of the current challenging operating environment, particularly the growth in revenue. This reflects the Group's strong capabilities in undertaking water and waste management projects. As competition remains keen, the Group will continue to put our best foot forward and seek opportunities to drive the business further.*"

Performance Review

Revenue growth was mainly attributed to higher contribution from its Engineering, Procurement and Construction segment, which was partially offset by lower revenue from the Operations and Maintenance segment. Gross profit increased to S$5.4 million in tandem with the increase in revenue, while gross profit margin held steady at 15.7% in 1HFY2019, compared with 15.8% in 1HFY2018.

Administrative expenses increased by 36.6% from S$2.1 million in 1HFY2018 to S$2.9 million in 1HFY2019, mainly due to expenses incurred for the business development department as well as increase in other employees' remuneration, additional professional fees and other expenses incurred during the period.

As a result, the Group recorded profit before tax of S$2.1 million in 1HFY2019, compared to S$1.1 million in 1HFY2018. Included in 1HFY2018 results are one-off IPO expenses amounting to S$1.2 million. Excluding the one-off IPO expenses, profit before tax in 1HFY2019 would have decreased by 9.7%, or S$0.2 million. The Group recorded a net profit attributable to shareholders of S$1.8 million in 1HFY2019.

Financial Position

The Group's balance sheet remains strong, with a net cash position of S$5.7 million as at 30 September 2018. Net assets were S$26.1 million as at 30 September 2018, compared to S$24.9 million as at 31 March 2018. This translates into a net asset value per share of 9.7 cents as at 30 September 2018.

Total assets was S$46.2 million as at 30 September 2018, compared to S$49.3 million as at 31 March 2018. The decline was mainly due to lower trade and other receivables, partially offset by higher contract work-in-progress in excess of billings, as there was more unbilled work done as at 30 September 2018.

Total liabilities was S$20.1 million as at 30 September 2018, compared with S$24.4 million as at 31 March 2018, as there were significant billings by suppliers as at 31 March 2018.

Business Outlook

While the business environment is expected to remain challenging with keen competition, the Group will continue to capitalise on its established track record in undertaking water and waste management projects in Singapore, to secure more public and private contracts.

The public sector water and waste management industry, which currently forms the core of the Group's business, is expected to remain stable underpinned by ongoing and upcoming projects which offer potential business opportunities, particularly large scale projects such as the NEWater, desalinated water and Deep Tunnel Sewerage System (DTSS). The Group is committed to ensure that its service quality and competitive edge in public sector projects is maintained and continuously enhanced, through rigorous monitoring of its operations.

The Group will also continue to build up a business development department to implement its business strategy. This strategy will take into account potential opportunities that will arise as demand for water management solutions by industrial players in Singapore grow. Managing industrial water use will become a priority for many water-intensive businesses operating in Singapore such as petrochemicals, electronics and pharmaceuticals.

The Group will also continue to undertake careful and comprehensive evaluation of areas for potential future growth in the ASEAN region.

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This media release is to be read in conjunction with the Company's announcement posted on the website of the SGX-ST on 13 November 2018.

<u>About Sanli Environmental Limited</u>

Sanli is an environmental engineering company in the field of water and waste management. It has more than ten years of experience and over 1,000 completed projects under its portfolio.

The Group's 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 Group has two main business segments: **Engineering, Procurement and Construction** ("**EPC**") and **Operations and Maintenance** ("**O&M**"). Under its EPC segment, Sanli provides services within the field of water and waste management, including process upgrading of existing water treatment plants, upgrading of pumping station capacities, replacement of aged equipment, and design and build of various treatment process systems. Through its O&M segment, the Group provides corrective and preventive maintenance services to ensure reliability and minimal disruptions to customers' operations.

For more information, please visit the company website at www.sanli.com.sg.

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This media release has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this media release, including the correctness of any of the statements or opinions made or reports contained in this media release.

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