SANLI ENVIRONMENTAL LIMITED

MEDIA RELEASE

For Immediate Release

Sanli's FY2018 revenue rises 17.6% to S$75.6 million

- **Increased contribution from Engineering, Procurement and Construction segment**
- **Net asset value per share increased to 9.3 cents as at end FY2018**
- **Final dividend of 0.25 cent per share recommended for FY2018, translating to a payout ratio of 21.9%**
- **Stable outlook backed by established track record, ongoing and upcoming projects that are underpinned by continued water demand in Singapore**

(S$'000)	FY2018	FY2017	% change
Revenue	75,609	64,314	17.6
Gross profit	10,871	10,399	4.5
Gross profit margin	*14.4%*	*16.2%*	*- 1.8% ppts*
Profit before tax	3,840	6,269	(38.7)
Profit before tax *(excluding one-off IPO expenses)*	5,071	6,269	(19.1)

***SINGAPORE, 23 May 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 has achieved revenue of S$75.6 million for the full year ended 31 March 2018 ("**FY2018**"). Comparatively, Sanli registered revenue of S$64.3 million in the previous corresponding year ("**FY2017**").

Commenting on the results, Mr Sim Hock Heng, Chief Executive Officer of Sanli said, "*We are greatly encouraged by the revenue achieved in FY2018. The operating environment was challenging over the past year, and it is likely to remain so. As the Singapore water industry continues to grow, competition is likely to be stiff. Despite that, Sanli will continue to seek opportunities to drive the business forward. We believe our track record and our capabilities will help us stand out from the competition.*"

Performance Review

Revenue grew 17.6% year-on-year from S$64.3 million in FY2017, mainly attributable to the increase in contribution from its Engineering, Procurement and Construction segment, partially offset by a decrease in revenue from the Operations and Maintenance segment. The Group recorded year-on-year higher cost of contract works, as it experienced increases in material costs, sub-contracting costs, overhead costs and direct labour costs, which were largely in tandem with the higher revenue. Consequently, gross profit increased by 4.5% to S$10.9 million in FY2018. Gross profit margin declined from 16.2% in FY2017 to 14.4% in FY2018, mainly due to the lower contribution from the Operations and Maintenance segment which generally yields higher gross margins.

Administrative expenses increased by 52.6% to S$5.2 million in FY2018, mainly due to an increase in headcount and salaries, as well as additional professional fee expenses owing to the Group's IPO during the financial year.

As a result, the Group recorded profit before tax of S$3.8 million in FY2018, compared to S$6.3 million in FY2017. Included in FY2018 results are one-off IPO expenses of S$1.2 million. Excluding the one-off IPO expenses, profit before tax in FY2018 would have been S$5.1 million. The Group recorded a net profit attributable to shareholders amounting to S$3.1 million in FY2018.

Proposed Dividend

To reward and to express our gratitude for the unwavering support of our shareholders, the Board of Directors has recommended a dividend of 0.25 cent per share for FY2018. Accordingly, the Group will fulfil its commitment to pay at least 20% of its net profit attributable to owners of the Company as dividends for the financial year ended 31 March 2018. The proposed final dividend will be subject to shareholders' approval at the upcoming FY2018 Annual General Meeting.

Financial Position

The Group's balance sheet remains strong, with a net cash position of S$6.2 million as at 31 March 2018. Net assets were S$24.9 million as at 31 March 2018, compared to S$8.5 million as at 31 March 2017. This translates into a net asset value per share of 9.3 cents as at 31 March 2018.

Total assets increased 63.6% to S$49.3 million as at end FY2018, which was largely attributed to increases in trade and other receivables and, contract work-in-progress in excess of billings, as the Group carried out significant work done in its execution of various on-going projects.

Total liabilities increased 12.7% to S$24.4 million as at end FY2018. This was mainly due to increases in trade and other payables owing to higher material costs, which was in tandem with the higher cost of contract works. The increase was partially offset by the repayment of borrowings, conversion of convertible loan, decrease in billings in excess of contract work-in-progress and a decrease in income tax payable.

Business Outlook

There will be a continued focus on creating a sustainable water supply in Singapore. The Group will continue to capitalise on its established track record in undertaking water and waste management projects in Singapore, to grow its business. The Group has an order book of S$110.2 million as at 31 March 2018.

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

At the same time, the Group has invested in 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 23 May 2018.

About Sanli Environmental Limited

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 plans, 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**. Under its EPC segment, Sanli provides EPC services within the field of water and waste management. Services include 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 Operations and Maintenance 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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