SANLI ENVIRONMENTAL LIMITED

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

UNAUDITED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 SEPTEMBER 2020

About Sanli Environmental Limited

The Group is an environmental engineering company in the field of water and waste management. Its 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 Company was incorporated in Singapore on 27 February 2017 under the Singapore Companies Act as a private company limited by shares, under the name "Sanli Environmental Pte. Ltd.". The Company was incorporated pursuant to the restructuring exercise (the "Restructuring Exercise") as disclosed in the Company's offer document dated 30 May 2017 (the "Offer Document"). The Company was converted into a public limited company on 9 May 2017 and its name was changed to "Sanli Environmental Limited". Please refer to the Offer Document for further details on the Restructuring Exercise.

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.

The contact person for the Sponsor is Mr David Yeong (Tel: 6232 3210) at 1 Robinson Road, #21-00 AIA Tower, Singapore 048542.

PART I: INFORMATION REQUIRED FOR HALF-YEAR ANNOUNCEMENT

1(a)(i) A statement of comprehensive income (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group		Increase/
	1HFY2021	1HFY2020	(Decrease)
	S$'000	S$'000	%
Revenue	**25,821**	27,026	(4.5)
Cost of contract works	**(23,828)**	(23,483)	1.5
Gross profit	**1,993**	3,543	(43.7)
Other income	**1,771**	129	>100
Administrative expenses	**(2,825)**	(2,665)	6.0
Other operating expenses	**(600)**	(587)	2.2
Finance costs	**(51)**	(66)	(22.7)
Profit before tax	**288**	354	(18.6)
Income tax	**(122)**	(135)	(9.6)
Profit for the period	**166**	219	(24.2)
Other comprehensive income (loss)			
Item that may reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations	**8**	(2)	N.M.
Total comprehensive income for the period	**174**	217	(19.8)
Profit for the period attributable to:			
Owners of the Company	**139**	73	90.4
Non-controlling interests	**27**	146	(81.5)
	166	219	(24.2)
Total comprehensive income for the period attributable to:			
Owners of the Company	**144**	71	>100
Non-controlling interests	**30**	146	(79.5)
	174	217	(19.8)

N.M. - Not meaningful

1(a)(ii) Notes to the statement of comprehensive income

	Group		Increase/
	1HFY2021	1HFY2020	(Decrease)
	S$'000	S$'000	%
Profit for the period was arrived after crediting/(charging):			
Depreciation of property, plant and equipment	**(472)**	(560)	(15.7)
Depreciation of right-of-use assets	**(108)**	(43)	>100
Net foreign exchange (loss)/gain	**(20)**	16	N.M.
Gain on disposal of property, plant and equipment	**4**	-	N.M.
Interest income	**25**	21	19.0
Interest expense	**(51)**	(66)	(22.7)

N.M. - Not meaningful

1(b)(i) A statement of financial position (for the issuer and the group), together with a comparative statement as at the end of the immediately preceding financial year.

	Group		Company	
	As at 30 Sep 2020	As at 31 Mar 2020	**As at 30 Sep 2020**	As at 31 Mar 2020
ASSETS	**S$'000**	S$'000	**S$'000**	S$'000
Current assets				
Cash and cash equivalents	**12,559**	18,172	**48**	38
Trade and other receivables	**5,637**	11,458	**623**	637
Contract assets	**13,303**	9,966	**-**	-
Non-current asset held for sale	**553**	-	**-**	-
Total current assets	**32,052**	39,596	**671**	675
Non-current assets				
Property, plant and equipment	**8,967**	9,245	**-**	-
Right-of-use assets	**1,474**	2,135	**-**	-
Investment in subsidiaries	**-**	-	**21,755**	21,755
Total non-current assets	**10,441**	11,380	**21,755**	21,755
Total assets	**42,493**	50,976	**22,426**	22,430
LIABILITIES AND EQUITY				
Current liabilities				
Borrowings	**271**	271	**-**	-
Trade and other payables	**9,515**	17,382	**156**	176
Contract liabilities	**2,451**	3,133	**-**	-
Lease liabilities	**102**	147	**-**	-
Income tax payable	**224**	109	**-**	-
Total current liabilities	**12,563**	21,042	**156**	176
Non-current liabilities				
Borrowings	**1,933**	2,069	**-**	-
Lease liabilities	**1,103**	1,145	**-**	-
Deferred tax liabilities	**251**	251	**-**	-
Total non-current liabilities	**3,287**	3,465	**-**	-
Capital, reserves and non-controlling interests				
Share capital	**21,297**	21,297	**21,297**	21,297
Translation reserves	**(11)**	(16)	**-**	-
Merger reserve	**(6,755)**	(6,755)	**-**	-
Capital reserve	**521**	521	**-**	-
Retained earnings	**11,444**	11,305	**973**	957
Equity attributable to owners of the Company	**26,496**	26,352	**22,270**	22,254
Non-controlling interests	**147**	117	**-**	-
Total equity	**26,643**	26,469	**22,270**	22,254
Total liabilities and equity	**42,493**	50,976	**22,426**	22,430

1(b)(ii) In relation to the aggregate amount of the group's borrowings and debt securities, specify the following at the end of the current financial period reported on with comparative figures as at the end of the immediately preceding financial year.

	Group			
	As at		As at	
	30 Sep 2020		31 Mar 2020	
	S$'000		S$'000	
	Secured	**Unsecured**	Secured	Unsecured
Amount repayable in one year or less, or on demand	**301**	**-**	330	-
Amount repayable after one year	**1,945**	**-**	2,087	-
Total borrowings and debt securities	**2,246**	**-**	2,417	-

Details of collateral:

i. Bank borrowings of S$2,204,000 (31 March 2020: S$2,340,000) are secured by a first legal charge over certain property, plant and equipment of the Group and corporate guarantee from the Company.

ii. Included in lease liabilities of S$1,205,000 is an amount of S$42,000 (31 March 2020: S$77,000) secured by charges over the leased motor vehicles.

1(c) A statement of cash flow (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group	
	1HFY2021	1HFY2020
	S$'000	S$'000
Operating activities		
Profit before tax	**288**	354
Adjustments for:		
Depreciation of property, plant and equipment	**472**	560
Depreciation of right-of-use assets	**108**	43
Gain on disposal of property, plant and equipment	**(4)**	-
Share-based payments expenses	**-**	39
Finance costs	**51**	66
Interest income	**(25)**	(21)
Exchange differences	**9**	-
Operating cash flows before movements in working capital	**899**	1,041
Trade and other receivables	**5,821**	7,765
Trade and other payables	**(7,867)**	(2,947)
Contract assets	**(3,337)**	(3,834)
Contract liabilities	**(682)**	137
Cash (used in) generated from operations	**(5,166)**	2,162
Income tax paid	**(7)**	(276)
Net cash (used in) from operating activities	**(5,173)**	1,886
Investing activities		
Purchase of property, plant and equipment	**(203)**	(113)
Proceeds from disposal of property, plant and equipment	**12**	1
Interest received	**25**	21
Net cash used in investing activities	**(166)**	(91)
Financing activities		
Dividends paid	**-**	(672)
Repayment of borrowings	**(136)**	(136)
Repayment of finance leases obligations	**-**	(34)
Repayment of lease liabilities	**(87)**	(34)
Interest paid	**(51)**	(66)
Net cash used in financing activities	**(274)**	(942)
Net (decrease) increase in cash and cash equivalents	**(5,613)**	853
Cash and cash equivalents at beginning of financial period	**18,172**	8,829
Cash and cash equivalents at end of financial period	**12,559**	9,682

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

Group

	Share capital S$'000	Merger reserve S$'000	Capital reserve S$'000	Translation reserves S$'000	Retained earnings S$'000	Equity attributable to owners of the Company S$'000	Non-controlling interests S$'000	Total S$'000
Balance as at 1 Apr 2020	21,297	(6,755)	521	(16)	11,305	26,352	117	26,469
Total comprehensive income for the period								
Profit for the period	-	-	-	-	139	139	27	166
Other comprehensive income for the period	-	-	-	5	-	5	3	8
Total	-	-	-	5	139	144	30	174
Balance as at 30 Sep 2020	**21,297**	**(6,755)**	**521**	**(11)**	**11,444**	**26,496**	**147**	**26,643**
Balance as at 1 Apr 2019	21,297	(6,755)	482	(31)	11,662	26,655	(2)	26,653
Total comprehensive income for the period								
Profit for the period	-	-	-	-	73	73	146	219
Other comprehensive loss for the period	-	-	-	(2)	-	(2)	-	(2)
Total	-	-	-	(2)	73	71	146	217
Transaction with owners, recognised directly in equity								
Dividends	-	-	-	-	(672)	(672)	-	(672)
Recognition of share-based payments	-	-	39	-	-	39	-	39
Total	-	-	39	-	(672)	(633)	-	(633)
Balance as at 30 Sep 2019	**21,297**	**(6,755)**	**521**	**(33)**	**11,063**	**26,093**	**144**	**26,237**

Company

	Share capital	Retained earnings	Total
	S$'000	S$'000	S$'000
Balance as at 1 Apr 2020	21,297	957	22,254
Total comprehensive income for the period:			
Profit for the period	-	16	16
Balance as at 30 Sep 2020	**21,297**	**973**	**22,270**
Balance as at 1 Apr 2019	21,297	619	21,916
Total comprehensive income for the period:			
Profit for the period	-	7	7
	21,297	626	21,923
Transaction with owners, recognised directly in equity			
Dividends	-	(672)	(672)
Balance as at 30 Sep 2019	**21,297**	**(46)**	**21,251**

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, subdivision, consolidation, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

During the six (6) months ended 30 September 2020, there has been no change in the issued and paid-up share capital of the Company. There are also no outstanding convertibles, treasury shares and subsidiary holdings as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

The total number of issued ordinary shares (excluding treasury shares) as at 30 September 2020 was 268,657,813 (31 March 2020: 268,657,813).

1(d)(iv) A statement showing all sales, transfers, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

Not applicable. The Company does not have any treasury shares.

1(d)(v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.

Not applicable. The Company does not have any subsidiary holdings.

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

The figures have not been audited or reviewed by the Company's auditors.

3. Where the figures have been audited or reviewed, the auditors' report (including any modifications or emphasis of matter).

Not applicable.

3A. 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.
The Group's latest audited financial statements for the financial year ended 31 March 2020 were not subject to an adverse opinion, qualified opinion or disclaimer of opinion.

(b) Confirmation from the Board that the impact of all outstanding audit issues on the financial statements have been adequately disclosed.
Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

The Group and the Company have consistently applied the same accounting policies and methods of computation in the preparation of the financial statements for the current financial period compared to the most recently audited annual financial statements.

5. If there are any changes in the accounting policies and methods of computation including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of the change.

The Group has applied the same accounting policies and methods of computation in the financial statements for the current reporting period as that of the audited financial statements for the year ended 31 March 2020

6. Earnings per ordinary share 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	
	1HFY2021	1HFY2020
Profit attributable to owners of the Company (S$'000)	**139**	73
Weighted average number of ordinary shares	**268,657,813**	268,657,813
Earnings per share (basic and diluted) (cents)	**0.05**	0.03

The basic and diluted earnings per share are the same as there were no potentially dilutive ordinary shares in issue as at 30 September 2020 and 31 March 2020.

7. Net asset value (for the issuer and 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 Sep 2020	As at 31 Mar 2020	**As at 30 Sep 2020**	As at 31 Mar 2020
Net Asset Value per share (cents)	**9.86**	9.81	**8.29**	8.28
Net Asset Value (S$'000)	**26,496**	26,352	**22,270**	22,254
Number of ordinary shares used	**268,657,813**	268,657,813	**268,657,813**	268,657,813

8. A 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.

REVIEW OF GROUP'S PERFORMANCE

The Group registered a revenue of S$25.8 million for 1HFY2021, a decrease of S$1.2 million, or 4.5%, compared with the S$27.0 million recorded for 1HFY2020.

The decline in the Group's turnover was mainly attributed to the decrease in contribution from its Engineering, Procurement and Construction segment of S$1.3 million, or 6.4%, as a result of the enforcement of the Circuit Breaker lockdown measures starting in April 2020. This was partially offset by a 2.0% rise, or S$0.1 million, in revenue from the Operations and Maintenance segment.

Cost of contract works increased slightly by S$0.3 million, or 1.5%, from S$23.5 million in 1HFY2020 to S$23.8 million in 1HFY2021, mainly due to increase in material costs from Engineering, Procurement and Construction segment.

Gross profit dipped by S$1.5 million, or 43.7%, from S$3.5 million in 1HFY2020 to S$2.0 million in 1HFY2021, due to a decrease in gross profit from the Engineering, Procurement and Construction segment of S$0.9 million and a decrease in gross profit from the Operations and Maintenance segment of S$0.6 million.

Gross profit margin declined by 5.4 percentage points, from 13.1% in 1HFY2020 to 7.7% in 1HFY2021, as a result of the decrease in margins of both the Engineering, Procurement and Construction and Operations and Maintenance segments.

Other income increased by S$1.64 million, from S$0.13 million in 1HFY2020 to S$1.77 million in 1HFY2021, mainly due to the government grants and incentives received under the Jobs Support Scheme and foreign worker levy rebates.

Administrative expenses increased by 6.0% from S$2.7 million in 1HFY2020 to S$2.8 million in 1HFY2021, mainly due to higher staff costs arising from an increase in the number of support staff hired.

Finance costs decreased by 22.7% from S$0.07 million in 1HFY2020 to S$0.05 million in 1HFY2021, mainly due to lower interest expenses incurred for property term loans.

Profit before tax for the Group declined by S$0.06 million, or 18.6%, from S$0.35 million in 1HFY2020 to S$0.29 million in 1HFY2021.

REVIEW OF GROUP'S FINANCIAL POSITION

Current assets decreased by 19.1%, from S$39.6 million as at 31 March 2020 to S$32.1 million as at 30 September 2020, mainly due to the decrease in trade and other receivables, which was partially offset by an increase in contract assets and non-current asset held for sale.

Trade and other receivables declined by 50.8%, from S$11.5 million as at 31 March 2020 to S$5.6 million as at 30 September 2020, mainly due to collection from customers and lower billings in 1st half of FY2021 in line with the decrease in turnover.

Contract assets rose by 33.5%, from S$10.0 million as at 31 March 2020 to S$13.3 million as at 30 September 2020, due to an increase in retention sums and unbilled receivables.

Non-current asset held for sale refers to the leasehold property located at 50 Tuas Avenue 11, #02-15 Singapore 639107 which was reclassified from right-of-use assets ("Leasehold Property"). The Group had granted an option to purchase the Leasehold Property to Brain Chem Int Pte. Ltd. at a purchase consideration of S$0.8 million and the purchaser duly exercised the option on 10 September 2020.

Non-current assets decreased by 8.3%, from S$11.4 million as at 31 March 2020 to S$10.4 million as at 30 September 2020. The decrease was mainly due to the reclassification of the Leasehold Property and depreciation of property, plant and equipment and right-of-use assets.

Current liabilities fell by 40.3%, from S$21.0 million as at 31 March 2020 to S$12.6 million as at 30 September 2020. This was mainly due to a decrease in trade and other payables of S$7.9 million and contract liabilities of S$0.7 million, in line with lower revenue, partially offset by an increase in income tax payable of S$0.1 million.

Non-current liabilities decreased by 5.1%, from S$3.5 million as at 31 March 2020 to S$3.3 million as at 30 September 2020, as a result of lower borrowings and lease liabilities.

REVIEW OF GROUP'S CASH FLOWS

Net cash used in operating activities amounted to S$5.2 million due to operating cash flow before movements in working capital of S$0.9 million, adjusted for net cash outflow from working capital changes of S$6.1 million.

Net cash outflow from working capital of S$6.1 million was a result of a decrease in trade and other payables of S$7.9 million, decrease in contract liabilities of S$0.7 million, and increase in contract assets of S$3.3 million, offset by a decrease in trade and other receivables of S$5.8 million.

Net cash used in investing activities amounted to S$0.2 million, mainly due to the purchase of property, plant and equipment.

Net cash used in financing activities amounted to S$0.3 million, mainly due to the repayment of borrowings and lease liabilities.

Consequently, overall cash and cash equivalents dropped by S$5.6 million to S$12.6 million in 1HFY2021.

9. 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.

10. 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 reporting period and the next 12 months.

For the six(6)-month period ended 30 September 2020, the Group continued to face challenges brought on by the Covid-19 pandemic, such as a delay in the execution of projects, interruptions to our supply chain and manpower disruptions. As a result, operations for both our engineering, procurement and construction, and operations and maintenance segments were hindered to a certain extent.

While we do not expect business to return to normal in the next few months, we will continue to implement safety measures and manage our manpower such that we are able to minimise the interruption of our project execution while ensuring the safety and health of our staff.

Earlier in the year, we had secured a sub-contract through our wholly-owned subsidiary, Sanli M&E Engineering Pte. Ltd., relating to the Mechanical, Electrical and Instrumentation Control and Automation portion of the Tuas Water Reclamation Plant Contract 4A – Biosolids and Digesters, which is a part of the Deep Tunnel Sewerage System Phase 2 project. The project is currently in progress and is expected to be completed in 2025.

The public sector water and waste management industry will remain a stable source of business opportunities for the Group in light of the government's continued focus on the sustainable water supply for Singapore. We are optimistic that the internal measures we have taken since the renewal of our Group's leadership as announced on SGXNet on 21 April 2020 will begin to bear fruit. We are optimistic that these initiatives, which are aimed at building up the capabilities of our staff and driving the Group's innovation through the use of technology, will complement our strong reputation and proven expertise, so as to better position us to secure more contracts and take on larger projects in the future.

11. Dividend:

(a) Any dividend declared for the current financial period reported on?

Nil.

(b) Corresponding period of the immediately preceding financial year?

Nil.

(c) Date payable

Not applicable.

(d) Book closure date

Not applicable.

12. If no dividend has been declared (recommended), a statement to that effect and the reason(s) for the decision.

No dividend has been declared or recommended for the current financial period under review. Declaration of dividend for the financial year will be determined at year end.

13. If the Group has obtained a general mandate from shareholders for interested person transactions ("IPTs"), the aggregate value of such transactions as required under Rule 920(1)(a)(ii) of the Catalist Rules. If no IPT mandate has been obtained, a statement to that effect.

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

14. Confirmation that the issuer has procured undertakings 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 has procured signed undertakings from all its directors and executive officers as set out in Appendix 7H under Rule 720(1) of the Catalist Rules.

15. Updates on use of IPO proceeds

Group	**Amount allocated**	**Amount utilised**	**Balance of net proceeds as at the date of this announcement**
	S$ million	**S$ million**	**S$ million**
Working capital to expand business operations through securing more projects and projects of a larger scale	5.74	-	5.74
Expansion of business premises	2.92	2.92	-
Expansion of business development department	1.06	1.06	-
Net proceeds from IPO	**9.72**	**3.98**	**5.74**

16. Confirmation by the Board Pursuant to Rule 705(5) of the Catalist Rules.

The Board of Directors confirms that, to the best of its knowledge, nothing has come to its attention which may render the unaudited financial statements for the half year ended 30 September 2020 to be false or misleading in any material aspect.

On behalf of the Board of Directors

Chua Teck Huat
Chief Executive Officer
11 November 2020