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

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX-MONTHS ENDED AND FULL-YEAR ENDED 31 MARCH 2022

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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.

Sanli Environmental Limited
Condensed Interim Financial Statements
For the Six-Months and Full-Year Ended 31 March 2022

A. CONDENSED INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Group 6 Months			Group 12 Months		
	1 Oct 2021 to 31 Mar 2022 S$'000	1 Oct 2020 to 31 Mar 2021 S$'000	+/(-) %	1 Apr 2021 to 31 Mar 2022 S$'000	1 Apr 2020 to 31 Mar 2021 S$'000	+/(-) %
Revenue	36,703	34,660	5.9	64,666	60,481	6.9
Cost of contract works	(32,723)	(32,257)	1.4	(56,901)	(56,085)	1.5
Gross profit	3,980	2,403	65.6	7,765	4,396	76.6
Other income	961	1,781	(46.0)	2,159	3,552	(39.2)
Administrative expenses	(3,253)	(2,998)	8.5	(6,153)	(5,823)	5.7
Other operating expenses	(703)	(874)	(19.6)	(1,671)	(1,474)	13.4
Finance costs	(65)	(46)	41.3	(103)	(97)	6.2
Profit before tax	920	266	>100.0	1,997	554	>100.0
Income tax	(33)	96	N.M.	(243)	(26)	>100.0
Profit for the period/year	887	362	>100.0	1,754	528	>100.0
Other comprehensive income/ (loss), net of tax:						
Exchange differences on translation of foreign operations	5	(61)	N.M.	(150)	(53)	>100.0
Total comprehensive income for the period/year	892	301	>100.0	1,604	475	>100.0
Profit for the period/year attributable to:						
Owners of the Company	846	192	>100.0	1,774	331	>100.0
Non-Controlling Interests	41	170	(75.9)	(20)	197	N.M.
	887	362	>100.0	1,754	528	>100.0
Total comprehensive income for the period/year attributable to:						
Owners of the Company	848	153	>100.0	1,683	297	>100.0
Non-controlling interests	44	148	(70.3)	(79)	178	N.M.
	892	301	>100.0	1,604	475	>100.0

N.M.: Not Meaningful

B. CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION

		Group		Company	
		As at 31 Mar 2022	As at 31 Mar 2021	As at 31 Mar 2022	As at 31 Mar 2021
	Note	S$'000	S$'000	S$'000	S$'000
ASSETS					
Current assets					
Cash and cash equivalents		11,527	19,070	68	34
Trade and other receivables		7,905	9,382	129	508
Contract assets		24,477	12,515	-	-
Total current assets		43,909	40,967	197	542
Non-current assets					
Property, plant and equipment	11	8,424	8,903	-	-
Right-of-use assets		1,190	1,580	-	-
Investment in subsidiaries	12	-	-	21,755	21,755
Deferred tax assets		68	27	-	-
Total non-current assets		9,682	10,510	21,755	21,755
Total assets		53,591	51,477	21,952	22,297
LIABILITIES AND EQUITY					
Current liabilities					
Borrowings	13	789	228	-	-
Trade and other payables		12,917	15,357	201	206
Contract liabilities		6,833	5,793	-	-
Lease liabilities	13	173	393	-	-
Income tax payable		155	209	-	-
Total current liabilities		20,867	21,980	201	206
Non-current liabilities					
Borrowings	13	3,613	1,539	-	-
Lease liabilities	13	1,027	1,172	-	-
Deferred tax liabilities		49	3	-	-
Total non-current liabilities		4,689	2,714	-	-
Capital, reserves and non-controlling interests					
Share capital	14	21,297	21,297	21,297	21,297
Treasury shares	14	(165)	-	(165)	-
Translation reserves		(141)	(50)	-	-
Merger reserves		(6,755)	(6,755)	-	-
Capital reserves		521	521	-	-
Retained earnings		13,062	11,475	619	794
Equity attributable to owners of the Company		27,819	26,488	21,751	22,091
Non-controlling interests		216	295	-	-
Total equity		28,035	26,783	21,751	22,091
Total liabilities and equity		53,591	51,477	21,952	22,297

C. CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY

Group	Share capital	Treasury shares	Merger reserves	Capital reserves	Translation reserves	Retained earnings	Equity attributable to owners of the Company	Non-controlling interests	Total equity
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Balance as at 1 April 2020	**21,297**	**-**	**(6,755)**	**521**	**(16)**	**11,305**	**26,352**	**117**	**26,469**
Total comprehensive income for the year									
Profit for the year	-	-	-	-	-	331	331	197	528
Other comprehensive loss for the year	-	-	-	-	(34)	-	(34)	(19)	(53)
Total	-	-	-	-	(34)	331	297	178	475
Transaction with owners, recognised directly in equity:									
Dividends paid to owners of the Company	-	-	-	-	-	(161)	(161)	-	(161)
Balance as at 31 March 2021	**21,297**	**-**	**(6,755)**	**521**	**(50)**	**11,475**	**26,488**	**295**	**26,783**

Group	Share capital	Treasury shares	Merger reserves	Capital reserves	Translation reserves	Retained earnings	Equity attributable to owners of the Company	Non-controlling interests	Total equity
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Balance as at 1 April 2021	**21,297**	**-**	**(6,755)**	**521**	**(50)**	**11,475**	**26,488**	**295**	**26,783**
Total comprehensive income for the year									
Profit for the year	-	-	-	-	-	1,774	1,774	(20)	1,754
Other comprehensive loss for the year	-	-	-	-	(91)	-	(91)	(59)	(150)
Total	-	-	-	-	(91)	1,774	1,683	(79)	1,604
Transactions with owners, recognised directly in equity:									
Repurchase of shares	-	(165)	-	-	-	-	(165)	-	(165)
Dividends paid to owners of the Company	-	-	-	-	-	(187)	(187)	-	(187)
Balance as at 31 March 2022	**21,297**	**(165)**	**(6,755)**	**521**	**(141)**	**(13,062)**	**27,819**	**216**	**28,035**

Company	Share capital	Treasury shares	Retained earnings	Total
	S$'000	S$'000	S$'000	S$'000
Balance as at 1 April 2020	**21,297**	**-**	**957**	**22,254**
Total comprehensive loss for the year:				
Loss for the year	-	-	(2)	(2)
Transaction with owners, recognised directly in equity:				
Dividends paid to owners of the Company	-	-	(161)	(161)
Balance as at 31 March 2021	**21,297**	**-**	**794**	**22,091**
Balance as at 1 April 2021	**21,297**	**-**	**794**	**22,091**
Total comprehensive income for the year:				
Profit for the year	-	-	12	12
Transactions with owners, recognised directly in equity:				
Repurchase of shares	-	(165)	-	(165)
Dividends paid to owners of the Company	-	-	(187)	(187)
Balance as at 31 March 2022	**21,297**	**(165)**	**619**	**21,751**

D. CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FULL YEAR ENDED 31 MARCH 2022

	Group	
	12 months ended 31 March 2022	**12 months ended 31 March 2021**
	S$'000	**S$'000**
Cash flows from operating activities		
Profit before tax	1,997	554
Adjustments for:		
Depreciation of property, plant and equipment	1,126	975
Depreciation of right-of-use assets	423	419
Gain on disposal of property, plant and equipment & right-of use assets	(5)	(259)
Finance costs	103	97
Interest income	(39)	(108)
Exchange differences	(144)	(45)
Operating cash flows before movements in working capital	**3,461**	**1,633**
Trade and other receivables	1,477	1,996
Trade and other payables	(2,440)	(1,939)
Contract assets	(11,962)	(2,591)
Contract liabilities	1,040	2,683
Cash (used in)/generated from operations	**(8,424)**	**1,782**
Income tax paid	(292)	(190)
Net cash (used in)/generated from operating activities	**(8,716)**	**1,592**
Cash flows from investing activities		
Purchases of property, plant and equipment	(680)	(376)
Proceeds from disposal of property, plant and equipment	22	17
Proceeds from disposal of right-of-use assets	-	804
Interest received	39	108
Net cash (used in)/generated from investing activities	**(619)**	**553**
Cash flows from financing activities		
Dividends paid to owners of the Company	(187)	(161)
Proceeds from borrowings	3,000	-
Repayment of borrowings	(365)	(573)
Repayment of lease liabilities	(388)	(416)
Purchase of treasury shares	(165)	-
Interest paid	(103)	(97)
Net cash generated from/(used in) financing activities	**1,792**	**(1,247)**
Net (decrease)/increase in cash and cash equivalents	**(7,543)**	898
Cash and cash equivalents at beginning of the financial year	19,070	18,172
Cash and cash equivalents at end of the financial year	**11,527**	**19,070**

E. NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate information

Sanli Environmental Limited (the "Company") is incorporated in Singapore (Registration No. 201705316M) with its principal place of business and registered office at 28 Kian Teck Drive, Singapore 628845. The Company was listed on the Catalist Board of the Singapore Exchange Securities Trading Limited ("SGX-ST") on June 8, 2017.

The principal activities of the Company are those of investment holding and provision of management services. The principal activities of the subsidiaries are disclosed in Note 12 to the condensed interim consolidated financial statements.

2. Basis of preparation

The condensed interim financial statements for the six months and full year ended 31 March 2022 have been prepared in accordance with Singapore Financial Reporting Standard (International) ("SFRS(I)") 1-34 *Interim Financial Reporting*.

The condensed interim financial statements do not include all the information required for a complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the financial position and financial performance of the Group since the last interim financial statements for the period ended 30 September 2021.

The accounting policies adopted are consistent with those of the previous financial year which were prepared in accordance with SFRS(I)s. Adoption of new and amended standards is set out in Note 2.1.

The condensed interim financial statements are presented in Singapore dollar which is the functional currency of the Company and all financial information presented in Singapore dollar are rounded to the nearest thousand ($'000) except otherwise indicated.

2.1 New and amended standards adopted by the Group

The Group and the Company adopted all the new and revised SFRS(I) pronouncements that are relevant to its operations. The adoption of these new and revised SFR(I) pronouncements does not result in changes to the Group's and the Company's accounting policies and has no material effect on the amounts reported for the current or prior periods.

The following SFRS(I)s, SFRS(I) INTs and amendments to SFRS(I) that are relevant to the Group and the Company were issued but not effective.

- Amendments to SFRS(I) 3 *Reference to Conceptual Framework* [1]
- Amendments to SFRS(I) 1-37 *Onerous Contracts – Cost of Fulfilling a Contract* [1]
- Annual improvements to SFRS(I)s 2018-2020 [1]
- Amendments to SFRS(I) 1-1: *Classification of Liabilities as Current or Non-current* [2]
- Amendments to SFRS(I) 1-1 and SFRS(I) Practice Statement 2 *Disclosure of Accounting Policies* [2]
- Amendments to SFRS(I) 1-8 *Definition of Accounting Estimates* [2]

- Amendments to SFRS(I) 1-12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction [2]

[1] Effective for annual periods beginning on or after January 1, 2022.
[2] Effective for annual periods beginning on or after January 1, 2023.

Management anticipates that the adoption of the above SFRS(I)s, SFRS(I) INTs and amendments to SFRS(I) in future periods will not have a material impact on the financial statements of the Group and the Company in the period of their initial adoption.

2.2 Use of judgements and estimates

In preparing the condensed interim financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the audited financial statements as at and for the financial year ended 31 March 2021.

3. Seasonal operations

The Group's businesses were not affected significantly by seasonal or cyclical factors during the financial period reported on.

4. Segment and revenue information

For purposes of resource allocation and assessment of segment performance, the Group's Chief Operating Decision Makers ("CODM") have focused on the business operating units which in turn are segregated based on the type of services supplied. This forms the basis of identifying the segments of the Group under SFRS(I) 8 *Operating Segments*. The CODM comprises the Group's Chief Executive Officer and the Executive Directors.

Operating segments are aggregated into a single reportable operating segment if they have similar economic characteristics, such as long-term average gross margins, and are similar in respect of nature of services and process, type of customers, and if applicable, the nature of the regulatory environment.

For management purposes, the Group is currently organised into two operating segments:

- Engineering, Procurement and Construction ("EPC") - provision of engineering, procurement and construction services relating to water and waste management.

- Operations and Maintenance ("O&M") - provision of operations and maintenance services relating to water and waste management.

4.1. Reportable segments

Segment revenue and results

	Group	
	6 months ended 31 Mar 2022	**6 months ended 31 Mar 2021**
	$'000	**$'000**
Revenue - EPC	29,748	23,474
Revenue - O&M	6,955	11,186
Total revenue	36,703	34,660
Gross profit/(loss) - EPC	3,012	(74)
Gross profit - O&M	968	2,477
Total gross profit	3,980	2,403
Unallocated corporate expenses	(2,224)	(1,360)
Depreciation	(781)	(814)
Interest income	10	83
Finance costs	(65)	(46)
Profit before tax	920	266
Income tax	(33)	96
Profit for the period	887	362

	Group	
	12 months ended 31 Mar 2022	**12 months ended 31 Mar 2021**
	$'000	**$'000**
Revenue - EPC	49,484	42,930
Revenue - O&M	15,182	17,551
Total revenue	64,666	60,481
Gross profit - EPC	4,932	1,854
Gross profit - O&M	2,833	2,542
Total gross profit	7,765	4,396
Unallocated corporate expenses	(4,155)	(2,459)
Depreciation	(1,549)	(1,394)
Interest income	39	108
Finance costs	(103)	(97)
Profit before tax	1,997	554
Income tax	(243)	(26)
Profit for the year	1,754	528

Geographical segments

The Group's information about the segment revenue by geographical location is detailed below:

	Group	
	Revenue	
	6 months ended 31 Mar 2022	6 months ended 31 Mar 2021
	$'000	$'000
Singapore	36,152	32,689
Myanmar	551	1,970
Malaysia	-	1
Total revenue	36,703	34,660

	Group	
	Revenue	
	12 months ended 31 Mar 2022	12 months ended 31 Mar 2021
	$'000	$'000
Singapore	63,247	54,430
Myanmar	1,419	6,035
Malaysia	-	16
Total revenue	64,666	60,481

The Group's information about the segment non-current assets by geographical location is detailed below:

	Group	
	Non-current assets	
	As at 31 Mar 2022	As at 31 Mar 2021
	$'000	$'000
Singapore	9,503	10,363
Myanmar	146	135
Malaysia	33	12
Total non-current assets	9,682	10,510

4.2. Disaggregation of revenue

	Group	
	12 months ended 31 Mar 2022	12 months ended 31 Mar 2021
	$'000	$'000
Over time:		
EPC	49,484	42,930
O&M	15,182	17,551
Total revenue	64,666	60,481

A breakdown of sales:

	Group		
	12 months ended 31 Mar 2022	**12 months ended 31 Mar 2021**	% +/(-)
Sales reported for the first half year	27,963	25,821	8.3
Operating profit after tax before deducting non-controlling interests reported for the first half year	867	166	>100.0
Sales reported for the second half year	36,703	34,660	5.9
Operating profit after tax before deducting non -controlling interests reported for the second half year	887	362	>100.0

5. Financial instruments

The following table sets out the financial assets and liabilities as at the end of the reporting period:

	Group		Company	
	As at 31 Mar 2022	**As at 31 Mar 2021**	**As at 31 Mar 2022**	**As at 31 Mar 2021**
	$'000	**$'000**	**$'000**	**$'000**
Financial assets				
- amortised cost	18,322	27,682	175	520
Financial liabilities				
- amortised cost	17,319	17,124	281	206
- lease liabilities	1,200	1,565	-	-

5.1. Fair value of financial assets and liabilities

The carrying amounts of cash and cash equivalents, trade and other receivables and payables approximate their respective fair values due to the relatively short-term maturity of these financial instruments. Management is of the view that the carrying amounts of borrowings and leases liabilities approximate their respective fair values as the interest rates approximate the prevailing market rates.

The Group and the Company has no financial assets and financial liabilities that are measured at fair value on a recurring basis.

6. Profit before taxation

6.1 Significant items

	Group 6 Months			Group 12 Months		
	1 Oct 2021 to 31 Mar 2022	1 Oct 2020 to 31 Mar 2021	+/(-)	1 Apr 2021 to 31 Mar 2022	1 Apr 2020 to 31 Mar 2021	+/(-)
	S$'000	S$'000	%	S$'000	S$'000	%
Income						
Government grant income	807	1,412	-42.8	1,947	3,118	-37.6
Gain on disposal of property, plant and equipment & right-of-use assets	2	255	-99.2	5	259	-98.1
Interest income	10	83	-88.0	39	108	-63.9
Expenses						
Depreciation of property, plant and equipment	(570)	(503)	13.3	(1,126)	(975)	15.5
Depreciation of right-of-use assets	(211)	(311)	-32.2	(423)	(419)	1.0
Net loss on foreign exchange	(78)	(61)	27.9	(122)	(81)	50.6
Interest expense	(65)	(46)	41.3	(103)	(97)	6.2

6.2. Related party transactions

There were no material related party transactions during FY2022 and FY2021.

7. Income tax expenses

The Group calculates income tax expenses for the financial year using the tax rates prevailing in the relevant jurisdiction. The major components of income tax expenses in the condensed interim consolidated statement of comprehensive income are:

	Group			
	6 months ended 31 Mar 2022	6 months ended 31 Mar 2021	12 months ended 31 Mar 2022	12 months ended 31 Mar 2021
	$'000	$'000		
Current tax expense	(137)	109	73	236
Deferred tax	73	(276)	73	(276)
Under provision of current tax in prior years	97	71	97	66
Income tax expense	33	(96)	243	26

8. Dividend

	Group	
	Year Ended	
	31 March 2022	31 March 2021
	S$'000	S$'000
Dividends paid in respect of the preceding financial year		
First and final dividend of 0.07 cents (FY2021: 0.06 cents) per share	187	161

9. Net asset value

Net asset value (for the issuer and the 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 31 Mar 2022	As at 31 Mar 2021	As at 31 Mar 2022	As at 31 Mar 2021
Net asset value per share (cents)	10.44	9.86	8.16	8.22
Net asset value (S$'000)	27,819	26,488	21,751	22,091
Number of ordinary shares used	266,432,113	268,657,813	266,432,113	268,657,813

10. Earnings per share

Earnings per ordinary share excluding treasury shares 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		Group	
	6 months ended 31 Mar 2022	6 months ended 31 Mar 2021	12 months ended 31 Mar 2022	12 months ended 31 Mar 2021
Profit attributable to owners of the Company (S$'000)	846	192	1,774	331
Weighted average number of ordinary shares	266,432,113	268,657,813	267,646,490	268,657,813
Earnings per share (basic and diluted) (cents)	0.32	0.07	0.66	0.12

The basic and diluted loss per share and earnings per share are the same as there were no potentially dilutive ordinary shares in issue as at 31 March 2022 and 31 March 2021.

11. Property, plant and equipment

During the financial year ended 31 March 2022, the Group acquired assets amounting to S$680,000 (31 March 2021: S$376,000) and disposed assets with net book value amounting to S$17,000 (31 March 2021: S$13,000).

12. Investment in subsidiaries

	Company	
	As at 31 Mar 2022	As at 31 Mar 2021
	$'000	$'000
Unquoted equity shares, at cost	21,755	21,755

Details of the Group's subsidiaries are as follows:

Name of subsidiary	Principal activities	Country of incorporation and operation	Effective equity interest of the Group	
			As at 31 Mar 2022	As at 31 Mar 2021
			%	%
Sanli M&E Engineering Pte. Ltd.	Engineering, procurement and construction solutions and services in the field of water and waste management.	Singapore	100	100
Sanli M&E Engineering Sdn. Bhd.	Project management, contracting and M&E engineering services in the water treatment industry.	Malaysia	100	100
Sanli E&C Pte. Ltd.	Engineering, procurement and construction solutions and services in the field of water and waste management.	Singapore	100	100
Sanli Environmental (Myanmar) Co. Ltd.	Engineering, procurement and construction solutions and services in the field of water and waste management.	Myanmar	60	60
Link Control Co. Ltd.	Business support and administrative activities.	Myanmar	21	21

13. Borrowings

	Group			
	As at 31 Mar 2022		As at 31 Mar 2021	
	Secured	Unsecured	Secured	Unsecured
	S$'000	S$'000	S$'000	S$'000
Amount repayable in one year or less, or on demand				
Borrowings	228	561	228	-
Lease liabilities	7	166	11	382
Amount repayable after one year				
Borrowings	1,311	2,302	1,539	-
Lease liabilities	-	1,027	6	1,166
Total	1,546	4,056	1,784	1,548

Details of collateral:

i. Bank borrowings of S$1,539,000 (31 March 2021: S$1,767,000) are secured by a first legal charge over certain right-of-use assets and property, plant and equipment of the Group and corporate guarantee from the Company.

ii. Lease liabilities of S$7,000 (31 March 2021: S$17,000) are secured by charges over the leased motor vehicle.

14. Share capital

14.1 Details of any changes in the Company's issued share capital

	Group and Company			
	As at 31 Mar 2022	As at 31 Mar 2021	As at 31 Mar 2022	As at 31 Mar 2021
	Number of ordinary shares ('000)		$'000	$'000
Issued and paid up:				
At beginning and end of financial year	268,658	268,658	21,297	21,297

Fully paid ordinary shares, which have no par value, carry one vote per share and a right to dividends as and when declared by the Company.

The Company's subsidiaries do not hold any shares in the Company as at 31 March 2022 and 31 March 2021.

14.2 Details of any changes in the Company's treasury shares

	Group and Company			
	As at 31 Mar 2022	As at 31 Mar 2021	As at 31 Mar 2022	As at 31 Mar 2021
	Number of ordinary shares ('000)		$'000	$'000
At beginning of financial year	-	-	-	-
Repurchased during financial year	2,226	-	165	-
At end of financial year	2,226	-	165	-

15. Update on the use of IPO proceeds

Group	Amount allocated	Amount utilised as announced on 15 March 2022	Amount utilised as at the date of this announcement	Balance of net proceeds as at the date of this announcement
	S$ million	S$ million	S$ million	S$ million
Working capital to expand business operations through securing more projects and projects of larger scale	5.74	4.25	1.49[1)]	-
Expansion of business premises	2.92	2.92	-	-
Expansion of business development department	1.06	1.06	-	-
Total	**9.72**	**8.23**	**1.49**	**-**

Note

(1) Amount used for the purchase of equipment as part of the cost of contract works for the secured projects.

As at the date of this announcement, the Net Proceeds have been fully utilised as set out in the table above. The use of the Net Proceeds is in accordance with the intended use as disclosed in the Offer Document dated 30 May 2017.

16. Subsequent events

On 26 May 2022, the Group convened an EGM to seek approval from the Company's shareholders of the following:

i) the diversification of the Group's business to include, as part of its core business, the business comprising, but not limited to, manufacturing of magnesium hydroxide slurry, for use in various industrial applications (the "Diversification");

ii) the adoption of a share option scheme to be known as the "Sanli Employee Share Option Scheme" (the "Option Scheme"), to authorise the Directors to grant options to subscribe for and/or purchase ordinary shares of the Company, in the form of existing shares held as treasury shares and/or new shares, to selected employees of the Company and its subsidiaries and other selected participants, on such terms as the Directors may determine from time to time, subject

to and in accordance with the rules of the Scheme and all applicable laws, regulations and rules; and

iii) the grant of authority to offer and grant options at a discount of up to 20% to the market price of ordinary shares of the Company under the Option Scheme.

The Diversification and the Option Scheme do not have any effect on this set of condensed interim financial statements.

On 14 April 2022, the Group's wholly-owned subsidiary, Sanli M&E Engineering Pte. Ltd, had incorporated a wholly-owned subsidiary named Enviro Plant & Engineering Pte. Ltd ("EPE").

EPE 's principal businesses are to provide environmental engineering solutions for water and wastewater treatment, air pollution control and solid waste management in the industrial plant sector in Singapore and Southeast Asia countries.

The incorporation of EPE does not have any effect on this set of condensed interim financial statements.

OTHER INFORMATION PURSUANT TO APPENDIX 7C OF THE CATALIST RULES

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

The condensed interim consolidated statement of financial position of the Group and the condensed interim statement of financial position of the Company as at 31 March 2022, and the condensed interim consolidated statement of comprehensive income, condensed interim consolidated statement of changes in equity and condensed interim consolidated statement of cash flows of the Group and the condensed interim statement of changes in equity of the Company for the six-months period and full-year ended 31 March 2022, and certain explanatory notes have not been audited or reviewed by the Company's auditors.

2. 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.
(b) Confirmation from the Board that the impact of all outstanding audit issues on the financial statements have been adequately disclosed.

This is not required for any audit issue that is a material uncertainty relating to going concern.

The Group's latest audited financial statements for the financial year ended 31 March 2021 were not subject to an adverse opinion, qualified opinion or disclaimer of opinion issued by the Company's auditors.

3. 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.

3.1 Review of the Group's financial performance

Revenue

2H2022 vs 2H2021

Revenue increased by S$2.0 million or 5.9% from S$34.7 million in 2H2021 to S$36.7 million in 2H2022.

The increase was attributed to:

i. the increase of S$6.2 million or 26.7% from the Engineering, Procurement and Construction ("EPC") segment from S$23.5 million to S$29.7 million, mainly contributed from the major EPC projects as the industry continues to recover in the level of activities and lesser disruption on contract works due to the easing of restrictions caused by the COVID-19 pandemic. The increase is partially offset by:

ii. the decrease of S$4.2 million or 37.8% from the Operations and Maintenance ("O&M") segment from S$11.2 million to S$7.0 million due to lesser O&M contracts being completed during the financial period.

FY2022 vs FY2021

Revenue increased by S$4.2 million or 6.9% from S$60.5 million in FY2021 to S$64.7 million in FY2022.

The increase was attributed to:

i. the increase of S$6.6 million or 15.3% from the Engineering, Procurement and Construction ("EPC") segment from S$42.9 million to S$49.5 million with the reason same as above. The increase was partially offset by:

ii. decrease of S$2.4 million or 13.5% from the O&M segment from S$17.6 million to S$15.2 million due to lesser O&M contracts being completed during the financial year.

Cost of contract works, gross profit and gross profit margin

2H2022 vs 2H2021

Cost of contract works increased by S$0.5 million or 1.4% from S$32.2 million in 2H2021 to S$32.7 million in 2H2022, due to the following:

i. increase in the cost of contract works of S$2.8 million or 11.7% from the EPC segment in tandem with the increase in EPC revenue; offset by:

ii. decrease in the cost of contract works of S$2.3 million or 28.1% from the O&M segment, mainly due to the decrease in O&M revenue.

Gross profit increased by S$1.6 million or 65.6% from S$2.4 million in 2H2021 to S$4.0 million in 2H2022, attributed mainly to the EPC segment due to the higher revenue and lower cost of contract works as lesser disruption on contract works resulting from the easing of restrictions caused by the COVID-19 pandemic.

Gross profit margin increased from 6.9% in 2H2021 to 10.8% in 2H2022 due to the increase in contribution from the EPC segment.

FY2022 vs FY2021

Cost of contract works increased by S$0.8 million or 1.5% from S$56.1 million in FY2021 to S$56.9 million in FY2022, due to the following:

i. increase in the cost of contract works of S$3.1 million or 7.5% from the EPC segment in tandem with the increase in revenue; offset by:

ii. decrease in the cost of contract works of S$2.3 million or 15.6% from the O&M segment which is in line with the decrease in revenue.

Gross profit increased by S$3.4 million or 76.6% from S$4.4 million in FY2021 to S$7.8 million in FY2022, attributed mainly to the EPC segment due to the higher revenue and lower cost of contract works as lesser disruption on contract works resulting from the easing of restrictions caused by the COVID-19 pandemic.

Gross profit margin increased from 7.3% in FY2021 to 12.0% in FY2022 mainly due to the increase in contribution from the EPC segment.

Other income

2H2022 vs 2H2021

Other income decreased by S$0.8 million or 46.0% from S$1.8 million in 2H2021 to S$1.0 million in 2H2021 mainly due to lower government grants and incentives received under the Jobs Support Scheme for the COVID-19 pandemic.

FY2022 vs FY2021

Other income decreased by S$1.4 million or 39.2% from S$3.5 million in FY2021 to S$2.1 million for the same reason as above.

Administration expenses

2H2022 vs 2H2021

Administrative expenses increased by S$0.3 million or 8.5% from S$3.0 million in 2H2021 to S$3.3 million in 2H2022, mainly due to higher staff-related costs such as salaries and bonuses.

FY2022 vs FY2021

Administrative expenses increased by S$0.3 million or 5.7% from S$5.8 million in FY2021 to S$6.2 million in FY2022, mainly due to higher staff-related costs such as salaries, bonuses, and recruitment expenses to support our operation.

Other operating expenses

2H2022 vs 2H2021

Other operating expenses decreased by S$0.2 million or 19.6% from S$0.9 million in 2H2021 to S$0.7 million in 2H2022 mainly due to lower foreign exchange loss for the financial period.

FY2022 vs FY2021

Other operating expenses increased by S$0.2 million or 13.4% from S$1.5 million in FY2021 to S$1.7 million in FY2022 mainly due to the increase in depreciation and foreign exchange loss for the financial year.

Finance costs

2H2022 vs 2H2021

Finance costs increased by 41.3% from S$46,000 in 2H2021 to S$65,000 in 2H2022 mainly due to the increase in bank borrowings.

FY2022 vs FY2021

Finance costs increased by 6.2% from S$97,000 in FY2021 to S$103,000 in FY2022 for the same reason as above.

Profit for the period/year

As a result of the above, the Group's profits for the 2H2022 and FY2022 were S$0.9 million and S$1.8 million, respectively.

3.2. Review of the Group's financial position

Current assets

Current assets increased from S$40.9 million as at 31 March 2021 to S$43.9 million as at 31 March 2022, mainly due to the increase in contract assets, partially offset by the decrease in cash and cash balance and the decrease in trade and other receivables.

Contract assets increased from S$12.0 million as at 31 March 2021 to S$24.5 million as at 31 March 2021 while the trade and other receivables decreased from S$9.4 million as at 31 March 2021 to S$7.9 million as

at 31 March 2022, mainly due to the significant works performed towards the end of FY2022 and billings were made in the following financial year based on the completion milestones of the ongoing projects.

The AR turnover has improved from 63 days in FY2021 to 45 days in FY2022 due to prompt collection from the customers.

Non-current assets

Non-current assets decreased from S$10.5 million as at 31 March 2021 to S$9.7 million as at 31 March 2022, mainly due to the depreciation charge to the property, plant and equipment.

Current liabilities

Current liabilities decreased from S$22.0 million as at 31 March 2021 to S$20.9 million as at 31 March 2022, mainly due to the decrease in trade and other payables as we made prompt payments to the suppliers when they fall due and the AP turnover reduced from 107 days in FY2021 to 85 days in FY2022.

Non-current liabilities

Non-current liabilities increased from S$2.7 million as at 31 March 2021 to S$4.7 million as at 31 March 2022, mainly due to the increase in bank borrowings.

3.3. Review of the Group's cash flows

FY2022 vs FY2021

Net cash used in operating activities amounted to S$8.7 million due to operating cash flow before movements in working capital of S$3.5 million, adjusted for net cash outflow from working capital changes of S$12.2 million.

Net cash outflow from working capital of S$12.2 million was due to:

a) the increase in contract assets of S$12.0 million due to significant works performed towards the end of FY2022 and billings were made in the following financial year based on the completion milestones of the ongoing projects;
b) the decrease in trade and other payables of S$2.4 million due to prompt payments to suppliers when they fall due; offset by:
c) the decrease of trade and other receivables of S$1.5 million;
d) the increase in contract liabilities of S$1.0 million due to advance billings and
e) payment of income tax of S$0.3 million.

Net cash used in investing activities of S$0.6 million in FY2022 was mainly due to the purchase of property, plant and equipment.

Net cash generated from financing activities of S$1.8 million in FY2022 was mainly due to the increase in bank borrowings, offset by the repayment of bank loans and the payment of dividends.

As a result of the above, there was a net decrease of S$7.5 million in cash and cash equivalents in FY2022.

4. 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.

5. 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 operating period and the next 12 months.

For the financial year ended 31 March 2022, the Group's revenue has increased from S$60.48 million in the previous corresponding period to S$64.67 million, whereas its profit for the period has increased approximately 3.3 times from S$0.53 million to S$1.75 million. The Group's efforts to improve its project management and cost controls have registered an improvement in profit margins as it continues to execute projects in its orderbook. The Group's current orderbook stands at S$306 million and is expected to be completed by early 2026.

The ongoing COVID-19 pandemic will continue to bring its share of challenges, but largely to a lesser degree as the situation is improving with a high global vaccination rate and with more countries managing the situation better with borders re-opening. However, the impact of COVID-19 and current geopolitical tensions in Europe are still causing a global economic impact and inflationary pressures across the board, which may have an impact on the Group's operating expenses.

The Group will continue to tender for municipal projects that leverage on its engineering expertise and strong track record, while continuing its recruitment of talent to enhance its operations to better position itself for upcoming tenders for water and waste-water related projects in Singapore. The S$72.67 million PUB contract for new disinfection systems at Johor River Waterworks announced on 15 July 2021 is progressing as planned. Looking at the longer term, the Group also expects to explore the opportunities to participate in Singapore's $100 billion coastal protection plan that was announced in 2019.

Expanding into Industrial Sector

Additionally, the Group is also diversifying its customer base by expanding into the industrial sector, with its incorporation of a wholly-owned subsidiary named Enviro Plant & Engineering Pte. Ltd. ("EPE") on 14 April 2022. EPE will provide environmental engineering solutions for water and wastewater treatment, air pollution control and solid waste management, to the industrial plant sector in Singapore and Southeast Asia.

Diversification into Manufacturing Business

The Group has identified certain opportunities in green technologies that can utilise its existing knowledge and expertise, as part of its diversification efforts to extend its revenue base to be less dependent on project-based revenue from the water and wastewater segment.

Today, the Group received shareholders' approval for its plans to manufacture magnesium hydroxide slurry ("Manufacturing Business") for use in various industrial applications such as the environmental protection

market.[1] By diversifying its business to include the Manufacturing Business, the Group expects to add stability to its revenue as the Manufacturing Business is recurring in nature.

Magnesium hydroxide is an inorganic compound which occurs in nature as the mineral, brucite. It is a white solid with low solubility in water. The Group intends to produce magnesium hydroxide slurry from brucite mineral. For this purpose, the Group intends to source for suppliers of brucite mineral and intends to sell the manufactured magnesium hydroxide slurry to customers in the water and wastewater treatment and marine industries.

As an established environmental engineering group in the field of water and waste management, the Group's track record, experience and expertise put it in good stead to engage in the Manufacturing Business. The Group is already constructing a magnesium hydroxide slurry batching plant for a client and therefore possesses the necessary experience and expertise to construct a similar plant for its own use. It also has a wide network of contacts in the water and waste-water treatment sector that may potentially lead to a ready customer base for the Manufacturing Business.

Update on Sanli Myanmar (defined herein)

Sanli Environmental (Myanmar) Company Limited ("Sanli Myanmar") is a 60% owned subsidiary of the Group, which provide Engineering, Construction and Water & Building Related Services in Myanmar. Most of the existing projects in Myanmar have been resumed and Sanli Myanmar staff have fully returned to the office with the adoption of hygiene and safety procedures and practices.

Myanmar has officially eased international travel restrictions from 17 April 2022. The political situation in the major cities where Sanli Myanmar has business and projects has remained stable and safe to work and travel. Sanli Myanmar has also expanded into new regions in Myanmar and is expected to participate in more tenders in those regions in the coming financial year. Sanli Myanmar contributed approximately 2.2% of the Group's revenue for FY2022.

Outlook

The Group continues to be hopeful that the global geopolitical situation will improve, together with the eventual normalisation of the overall global economy and industries. As a result of the above, the Group remains cautiously optimistic for the financial year ending 31 March 2023.

[1] Magnesium hydroxide slurry is used, amongst other things, as neutralising agent for wastewater treatment, as effective sorbent for removal of heavy metal in wastewater treatment and as liquid absorber for flue gas desulphurization (being the removal of unwanted sulphur dioxide from exhaust emissions).

6. Dividend information

6a. Current financial period reported on

Any interim (final) dividend recommended for the current financial period reported on? Yes

The Directors are pleased to recommend a final dividend of 0.375 Singapore cents per share for FY2022 (the "Dividend"). The Dividend is subjected to the approval of the Company's shareholders at the forthcoming annual general meeting of the Company to be held in July 2022 (the "AGM").

Name of dividend	**Final**
Dividend type	Cash
Dividend amount per ordinary share	0.375 Singapore cents
Tax rate	One tier tax exempt

The final dividend payout for FY2022 would constitute 56.3% of net profit after tax attributable to owners of the Company in FY2022.

6b. Corresponding period of the immediate preceding financial year

Any interim (final) dividend declared for the corresponding period of the immediately preceding financial year?

Name of dividend	**Final**
Dividend type	Cash
Dividend amount per ordinary share	0.07 Singapore cents
Tax rate	One tier tax exempt

The final dividend for FY2021 constitutes 56.3% of net profit after tax attributable to owners of the Company in FY2021 and was paid on 29 October 2021.

6c. Date payable

Subject to shareholders' approval of the dividend at the AGM, the payment date for the dividend will be announced at a later date.

6d. Date on which registrable transfers received by the Company will be registered before entitlements to the dividend are determined

Subject to shareholders' approval of the Dividend at the AGM, the record date and the books closure date for determining shareholders' entitlement to the Dividend will be announced at a later date.

7. If no dividend has been declared/recommended, a statement to that effect.

NA

8. Interested person transactions

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

9. Disclosure of acquisitions (including incorporations) and realisations of shares since the end of the previous reporting period pursuant to Rule 706A of the Catalist Rules

The Group does not have any acquisitions (including incorporations) and realisations of shares since the end of the previous reporting period.

10. Confirmation that the issuer has procured undertaking 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 confirms that all the required undertakings under Rule 720(1) of the Catalist Rules have been obtained from all its directors and executive officers in the format set out in Appendix 7H of the Catalist Rules.

11. Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704(10) of the Catalist Rules. If there are no such persons, the issuer must make an appropriate negative statement.

Pursuant to Rule 704(10) of the Catalist Rules, the Company confirms that during FY2022 and up to the date hereof, there has not been any person occupying a managerial position in the Company or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the Company.

On behalf of the Board of Directors

Kew Boon Kee
Chief Executive Officer
26 May 2022