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MEDIA RELEASE

Sanli Environmental's net profit for FY2022 increased 3.3 times to S$1.75 million

- **Current orderbook stands at S$306 million and is expected to be completed by early 2026**
- **Proposes dividend of 0.375 Singapore cents per share that is subject to shareholders' approval at the upcoming AGM**
- **Shareholders' approval obtained to move into the business of manufacturing of magnesium hydroxide slurry**

Note: This media release is to be read in conjunction with the Company's financial statement announcement for the full-year ended 31 March 2022 released on the same date on the SGXNet.

SINGAPORE, 26 May 2022 – SGX-Catalist listed Sanli Environmental Limited ("**Sanli**", "the **Company**", "三立环境有限公司" and together with its subsidiaries, the "**Group**"), one of Singapore's leading environmental engineering companies, today announced that it has achieved a net profit after tax of S$1.75 million for the financial year ended 31 March 2022 ("**FY2022**"), a 3.3 times increase from S$0.53 million for the financial year ended 31 March 2021 ("**FY2021**").

Financial Highlights

	12 months ended 31 March		
S$'m	**2022**	**2021**	**% Change**
Revenue	64.67	60.48	6.9
Gross Profit	7.77	4.40	76.6
Gross Profit Margin	12.0%	7.3%	65.21
Net Profit after Tax	1.75	0.53	>100

The Group's FY2022 revenue increased by 6.9% to S$64.67 million from S$60.48 million in FY2021. Gross profit rose by 76.6% to S$7.77 million in FY2022, from S$4.40 million in FY2021, with gross profit margin rising 4.7 percentage points to 12.0% (FY2021:7.3%). 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.

With a profit attributable to shareholders of S$1.77 million for FY2022 (FY2021: S$0.33 million), the Group's earnings per share for FY2022 is 0.66 Singapore cents (FY2021: 0.12 Singapore cents)[1]. Based on the FY2022 results performance, the Board of Directors of Sanli is proposing a first and final dividend of 0.375 Singapore cents per share, which is subject to the shareholders' approval at the upcoming Annual General Meeting.

Commenting on the FY2022 results, Mr Kew Boon Kee, the Chief Executive Officer of Sanli said: "*Despite the operational challenges posed by the COVID-19 pandemic, our management and staff have risen to the occasion with their focus and resilience in making sure that our projects progressed while maintaining tight cost controls. As the COVID-19 situation improves, we are ready to participate in upcoming tenders while executing our $306 million orderbook. For the longer term, we are planning to diversify our customer base into the industrial sector, and also move into manufacturing of magnesium hydroxide slurry to build recurring revenue streams to balance our project-based revenue.*"

Segmental Revenue			
S$'m	**FY2022**	**FY2021**	**% Change**
Engineering, Procurement and Construction ("EPC")	49.48	42.93	15.3
Operations and Maintenance ("O&M")	15.18	17.55	-13.5
Total	64.66	60.48	6.9

[1] Earnings per share calculated on weighted average number of ordinary shares of 267,646,490 for FY2022 and 268,657,813 for FY2021.

The Group's revenue from its EPC segment increased by 15.5% to S$49.57 million in FY2022 (FY2021: S$42.93 million), mainly contributed by major EPC projects as the industry continues to recover in the level of activities with lesser disruptions to contract works due to the easing of COVID-19 related restrictions. However, the increase was partially offset by a fall in revenue from the O&M segment by 13.8% to S$15.13 million in FY2022 (FY2021: S$17.56 million), due to lesser O&M contracts completed during the financial year.

Correspondingly, the Group's gross profit increased by 77.5% to S$7.80 million in FY2022 from S$4.39 million in FY2021, with gross profit margin increasing from 7.3% in FY2021 to 12.1% in FY2022 due to the increased contribution from the EPC segment.

As at 31 March 2022, the Group's financial position remains resilient with a net asset value of S$27.82 million (31 March 2021: S$26.49 million). This translates into a net asset value per share of 10.44 Singapore cents, compared to 9.86 Singapore cents as at 31 March 2021[2].

Business Outlook

The global economic impact and inflationary pressures across the board caused by the COVID-19 pandemic and current geopolitical tensions in Europe may have an impact on the Group's operating expenses. Nevertheless, 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 that was announced on 15 July 2021, is progressing as planned and the Group expects to explore the opportunities to participate in Singapore's $100 billion coastal protection plan that was announced in 2019.

<u>Expansion into Industrial Sector</u>

The Group's incorporation of a wholly-owned subsidiary named Enviro Plant & Engineering Pte. Ltd. ("**EPE**") on 14 April 2022 is part of the Group's diversification of its customer base by expanding into the

[2] Net asset value per share is calculated based on 266,432,113 ordinary shares for FY2022 and 268,657,813 ordinary shares for FY2021.

industrial sectors. 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 has 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. 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.

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

The Group's 60% owned subsidiary, Sanli Environmental (Myanmar) Company Limited ("**Sanli Myanmar**") provides Engineering, Construction and Water & Building Related Services in Myanmar. Most of Sanli Myanmar's existing projects in Myanmar have resumed and its staff have fully returned to the office with the adoption of hygiene and safety procedures and practices.

The political situation in the major cities where Sanli Myanmar has business and projects has remained stable and safe for 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.

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.

End.

About Sanli Environmental Limited

Listed in 2017 on the SGX-Catalist, Sanli Environmental Limited ("**Sanli**") is an environmental engineering company in the field of water and waste management. Sanli'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 Company's business is divided into two main business segments. The Engineering, Procurement and Construction segment provides engineering, procurement and construction 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 mechanical and electrical equipment, and design and build of various treatment process systems. The Operations and Maintenance segment provides corrective and preventive maintenance services to ensure reliability and minimal disruptions to its customers' operations.

Backed by its strong engineering capabilities, Sanli has the ability to integrate mechanical, electrical and process engineering expertise to provide customised, cost- and time-efficient integrated engineering solutions and services to its customers.

For more information, please visit https://www.sanli.com.sg/

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This media release has been reviewed by the Company's sponsor ("Sponsor"), SAC Capital Private Limited. 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 announcement. The contact person for the Sponsor is Mr David Yeong (Telephone number: +65 6232 3210), at 1 Robinson Road, #21-00 AIA Tower, Singapore 048542.