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

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 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 Ended 30 September 2022 ("1H2023")

A. CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Group Six Months Ended		
		30 Sept 2022	30 Sept 2021	+/(-)
	Note	S$'000	S$'000	%
Revenue	4	39,020	27,963	39.5
Cost of contract works		(33,752)	(24,178)	39.6
Gross profit		5,268	3,785	39.2
Other income		452	1,198	(62.3)
Administrative expenses		(3,007)	(2,900)	3.7
Other operating expenses		(918)	(968)	(5.2)
Finance costs		(93)	(38)	>100.0
Profit before tax	6	1,702	1,077	58.0
Income tax	7	(366)	(210)	74.3
Profit for the period		1,336	867	54.1
Other comprehensive loss, net of tax:				
Exchange differences on translation of foreign operations		(51)	(155)	(67.1)
Total comprehensive income for the period		1,285	712	80.5
Profit (loss) for the period attributable to:				
Owners of the Company		1,483	928	59.8
Non-controlling interests		(147)	(61)	>100.0
		1,336	867	54.1
Total comprehensive income (loss) for the period attributable to:				
Owners of the Company		1,447	835	73.3
Non-controlling interests		(162)	(123)	31.7
		1,285	712	80.5

B. CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION

		Group		Company	
		As at 30 Sept 2022	As at 31 Mar 2022	As at 30 Sept 2022	As at 31 Mar 2022
	Note	S$'000	S$'000	S$'000	S$'000
ASSETS					
Current assets					
Cash and cash equivalents		7,573	11,527	67	68
Trade and other receivables		8,108	7,905	71	129
Contract assets		28,321	24,477	-	-
Total current assets		44,002	43,909	138	197
Non-current assets					
Property, plant and equipment	11	8,056	8,424	-	-
Right-of-use assets		1,308	1,190	-	-
Investment in subsidiaries	12	-	-	21,755	21,755
Deferred tax assets		60	68	-	-
Total non-current assets		9,424	9,682	21,755	21,755
Total assets		53,426	53,591	21,893	21,952
LIABILITIES AND EQUITY					
Current liabilities					
Borrowings	13	1,281	789	-	-
Trade and other payables		16,898	12,917	152	201
Contract liabilities		1,959	6,833	-	-
Lease liabilities	13	213	173	-	-
Income tax payable		384	155	-	-
Total current liabilities		20,735	20,867	152	201
Non-current liabilities					
Borrowings	13	3,210	3,613	-	-
Lease liabilities	13	1,110	1,027	-	-
Deferred tax liabilities		50	49	-	-
Total non-current liabilities		4,370	4,689	-	-
Capital, reserves and non-controlling interests					
Share capital	14	21,297	21,297	21,297	21,297
Treasury shares		(165)	(165)	(165)	(165)
Translation reserves		(177)	(141)	-	-
Merger reserves		(6,755)	(6,755)	-	-
Capital reserves	14	521	521		-
Retained earnings		13,546	13,062	609	619
Equity attributable to owners of the Company		28,267	27,819	21,741	21,751
Non-controlling interests		54	216	-	-
Total equity		28,321	28,035	21,741	21,751
Total liabilities and equity		53,426	53,591	21,893	21,952

Sanli Environmental Limited
Condensed Interim Financial Statements
For the Six Months Ended 30 September 2022 ("1H2023")
C. CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY

Group	Share capital	Treasury shares	Capital reserves	Merger 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**	**-**	**521**	**(6,755)**	**(50)**	**11,475**	**26,488**	**295**	**26,783**
Total comprehensive income (loss) for the period									
Profit (loss) for the period	-	-	-	-	-	928	928	(61)	867
Other comprehensive loss for the period	-	-	-	-	(93)	-	(93)	(62)	(155)
Total	-	-	-	-	(93)	928	835	(123)	712
Transaction with owners, recognised directly in equity:									
Repurchase of shares	-	(165)	-	-	-	-	(165)	-	(165)
Balance as at 30 September 2021	**21,297**	**(165)**	**521**	**(6,755)**	**(143)**	**12,403**	**27,158**	**172**	**27,330**
Balance as at 1 April 2022	**21,297**	**(165)**	**521**	**(6,755)**	**(141)**	**13,062**	**27,819**	**216**	**28,035**
Total comprehensive income (loss) for the period									
Profit (loss) for the period	-	-	-	-	-	1,483	1,483	(147)	1,336
Other comprehensive loss for the period	-	-	-	-	(36)	-	(36)	(15)	(51)
Total	-	-	-	-	(36)	1,483	1,447	(162)	1,285
Transaction with owners, recognised directly in equity:									
Dividends paid to the owners of the Company	-	-	-	-	-	(999)	(999)	-	(999)
Balance as at 30 September 2022	**21,297**	**(165)**	**521**	**(6,755)**	**(177)**	**13,546**	**28,267**	**54**	**28,321**

Company	Share capital	Treasury shares	Retained earnings	Total
	S$'000	S$'000	S$'000	S$'000
Balance as at 1 April 2021	**21,297**	**-**	**794**	**22,091**
Total comprehensive loss for the period:				
Loss for the period	-	-	(10)	(10)
Transaction with owners, recognised directly in equity:				
Repurchase of shares	-	(165)	-	(165)
Balance as at 30 September 2021	**21,297**	**(165)**	**784**	**21,916**
Balance as at 1 April 2022	**21,297**	**(165)**	**619**	**21,751**
Total comprehensive profit for the period:				
Profit for the period	-	-	989	989
Transaction with owners, recognised directly in equity:				
Dividends paid to the owners of the Company	-	-	(999)	(999)
Balance as at 30 September 2022	**21,297**	**(165)**	**609**	**21,741**

D. CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

	Group	
	Six months ended 30 Sept 2022	**Six months ended 30 Sept 2021**
	S$'000	**S$'000**
Cash flows from operating activities		
Profit before tax	1,702	1,077
Adjustments for:		
Depreciation of property, plant and equipment	629	556
Depreciation of right-of-use assets	189	212
Gain on disposal of property, plant and equipment	-	(3)
Finance costs	93	38
Interest income	(18)	(29)
Exchange differences	(185)	(174)
Operating cash flows before movements in working capital	**2,410**	**1,677**
Trade and other receivables	(203)	4,504
Trade and other payables	3,981	(6,077)
Contract assets	(3,844)	(2,905)
Contract liabilities	(4,874)	(3,187)
Cash used in operations	**(2,530)**	**(5,988)**
Income tax paid	(5)	(55)
Net cash used in operating activities	**(2,535)**	**(6,043)**
Cash flows from investing activities		
Purchases of property, plant and equipment	(423)	(273)
Proceeds from disposal of property, plant and equipment	153	52
Interest received	18	29
Net cash used in investing activities	**(252)**	**(192)**
Cash flows from financing activities		
Dividends paid to owners of the Company	(999)	-
Proceeds from borrowings	481	-
Repayment of borrowings	(391)	(114)
Repayment of lease liabilities	(165)	(193)
Payment for the share buyback	-	(165)
Interest paid	(93)	(38)
Net cash used in financing activities	**(1,167)**	**(510)**
Net decrease in cash and cash equivalents	(3,954)	(6,745)
Cash and cash equivalents at beginning of the financial period	11,527	19,070
Cash and cash equivalents at end of the financial period	**7,573**	**12,325**

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 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 understanding the changes in the financial position and financial performance of the Group since the last financial statements for the financial year ended 31 March 2022.

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

The condensed interim financial statements are presented in Singapore dollar, the functional currency of the Company. All financial information presented in Singapore dollars is 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) 1-1: *Classification of Liabilities as Current or Non-current* [1]
- Amendments to SFRS(I) 1-1 and SFRS(I) Practice Statement 2 *Disclosure of Accounting Policies* [1]
- Amendments to SFRS(I) 1-8 *Definition of Accounting Estimates* [1]
- Amendments to SFRS(I) 1-12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction [1]

[1] 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 2022.

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 resource allocation and assessment of segment performance purposes, the Group's Chief Operating Decision Makers ("CODM") have focused on the business operating units which 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 the 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	
	Six months ended 30 Sept 2022	**Six months ended 30 Sept 2021**
	$'0000	**$'000**
Revenue - EPC	31,847	19,736
Revenue - O&M	7,173	8,227
Total revenue	39,020	27,963
Gross profit - EPC	4,900	1,920
Gross profit - O&M	368	1,865
Total gross profit	5,268	3,785
Unallocated corporate expenses	(2,673)	(1,931)
Depreciation	(818)	(768)
Interest income	18	29
Finance costs	(93)	(38)
Profit before tax	1,702	1,077
Income tax	(366)	(210)
Profit for the period	1,336	867

Geographical segments

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

	Group	
	Revenue	
	Six months ended 30 Sept 2022	**Six months ended 30 Sept 2021**
	$'000	**$'000**
Singapore	38,430	27,095
Myanmar	590	868
Total revenue	39,020	27,963

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

	Group	
	Non-current assets	
	As at 30 Sept 2022	**As at 31 Mar 2022**
	$'000	**$'000**
Singapore	9,236	9,503
Myanmar	145	146
Malaysia	43	33
Total non-current assets	9,424	9,682

4.2. Disaggregation of revenue

	Group	
	Six months ended 30 Sept 2022	Six months ended 30 Sept 2021
	$'000	$'000
Over time:		
EPC	31,847	19,736
O&M	7,173	8,227
Total revenue	39,020	27,963

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 30 Sept 2022	As at 31 Mar 2022	As at 30 Sept 2022	As at 31 Mar 2022
	$'000	$'000	$'000	$'000
Financial assets				
- amortised cost	13,336	18,322	108	175
Financial liabilities				
- amortised cost	21,389	17,319	152	201
- lease liabilities	1,323	1,200	-	-

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 lease liabilities approximate their respective fair values as the interest rates approximate the prevailing market rates.

The Group and the Company have 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		
	Six months ended 30 Sept 2022	Six months ended 30 Sept 2021	+/(-)
	S$'000	S$'000	%
Income			
Government grant income	380	1,140	(66.7)
Gain on disposal of property, plant and equipment	-	3	N.M
Interest income	18	29	(37.9)
Expenses			
Depreciation of property, plant and equipment	(629)	(556)	13.1
Depreciation of right-of-use assets	(189)	(212)	(10.8)
Net loss on foreign exchange	(101)	(200)	(49.5)
Interest expense	(93)	(38)	>100.0

6.2. Related party transactions

There were no material related party transactions during the 6 months financial period ended 30 September 2022 ("1H2023") and the 6 months financial period ended 30 September 2021 ("1H2022").

7. Income tax expenses

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

	Group	
	Six months ended 30 Sept 2022	Six months ended 30 Sept 2021
	$'000	$'000
Income tax expense for the period	366	210

8. Dividend

	Group	
	Six months ended 30 Sept 2022	Six months ended 30 Sept 2021
	S$'000	S$'000
Dividends paid during the financial period in respect of the preceding financial year	999*	-

*First and final dividend of 0.375 cents per share for FY2022
N.M.: Not Meaningful

9. Net asset value

Net asset value (for the Company 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 30 Sept 2022	As at 31 Mar 2022	As at 30 Sept 2022	As at 31 Mar 2022
Net asset value per share (cents)	10.61	10.44	8.16	8.16
Net asset value (S$'000)	28,267	27,819	21,741	21,751
Number of ordinary shares used	266,432,113	266,432,113	266,432,113	266,432,113

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	
	Six months ended 30 Sept 2022	Six months ended 30 Sept 2021
Profit attributable to owners of the Company (S$'000)	1,483	928
Weighted average number of ordinary shares	266,432,113	267,708,144
Earnings per share (basic and diluted) (cents)	0.56	0.35

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 30 September 2022 and 30 September 2021.

11. Property, plant and equipment

During the six-month period ended 30 September 2022, the Group acquired assets amounting to S$423,000 (30 September 2021: S$273,000) and disposed of assets with net book value amounting to S$153,000 (30 September 2021: S$52,000).

12. Investment in subsidiaries

	Company	
	As at 30 Sept 2022	As at 31 Mar 2022
	$'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 30 Sept 2022	As at 31 Mar 2022
			%	%
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
Enviro Plants & Engineering Pte. Ltd.*	Environmental engineering design and consultancy services	Singapore	100	-
Mag Chemical Pte. Ltd.*	Manufacture of water treatment, waste treatment and oilfield chemicals.	Singapore	100	-

***** Incorporated in FY2023.

13. Borrowings

	Group			
	As at 30 Sept 2022		As at 31 Mar 2022	
	Secured	Unsecured	Secured	Unsecured
	S$'000	S$'000	S$'000	S$'000
Amount repayable in one year or less, or on demand				
Borrowings	228	1,053	228	561
Lease liabilities	1	212	7	166
Amount repayable after one year				
Borrowings	1,197	2,013	1,311	2,302
Lease liabilities	-	1,110	-	1,027
Total	1,426	4,388	1,546	4,056

Details of collateral:

i. Bank borrowings of S$1,425,000 (31 March 2022: S$1,539,000) 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$1,000 (31 March 2022: S$7,000) are secured by charges over the leased motor vehicles.

14. Share capital

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

	Group and Company			
	As at 30 Sept 2022	As at 31 Mar 2022	As at 30 Sept 2022	As at 31 Mar 2022
	Number of ordinary shares ('000)		$'000	$'000
Issued and paid up:				
At beginning and end of financial period	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 30 September 2022 and 31 March 2022.

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

	Group and Company			
	As at 30 Sept 2022	As at 31 Mar 2022	As at 30 Sept 2022	As at 31 Mar 2022
	Number of ordinary shares ('000)		$'000	$'000
At the beginning and end of the financial period/year	2,226	2,226	165	165

15. Subsequent events

There are no known subsequent events that have led to adjustments to 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 30 September 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 ended 30 September 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 2022 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

Revenue increased by S$11.0 million or 39.5% from S$28.0 million in 1H2022 to S$39.0 million in 1H2023.

The increase was attributed to higher contributions from Engineering, Procurement and Construction ("EPC") segment. The revenue of EPC increased by S$12.1 million or 61.4% from S$19.7 million in 1H2022 to S$31.8 million in 1H2023, contributed mainly from the larger projects.

The increase was partially offset by lower contributions from the Operations and Maintenance ("O&M") segment. The revenue of O&M decreased by S$1.1 million or 13.0% from S$8.2 million in 1H2022 to S$7.1 million in 1H2023 as the Group secured lesser O&M contracts during the period.

Cost of contract works, gross profit and gross profit margin

The cost of contract works increased by S$9.6 million or 39.6% from S$24.2 million in 1H2022 to S$33.8 million in 1H2023, mainly due to the increase in the cost of contract works from the EPC segment in line with the increase in revenue. The cost of contract works from the O&M segment also increased due to higher labour costs as we engaged more subcontract workers during the period.

The gross profit increased by S$1.5 million or 39.2% from S$3.8 million in 1H2022 to S$5.3 million in 1H2023, attributed mainly to the higher revenue and higher gross profit margin from the EPC segment, partially offset by lower gross profit from O&M segment due to lower revenue and higher cost of contract works.

The gross profit margin was 13.5% in 1H2023, comparable to 13.54% in 1H2022.

Other income

Other income decreased by S$0.7 million from S$1.2 million in 1H2022 to S$0.5 million in 1H2023 mainly due to lower government grants and incentives received under the Jobs Support Scheme during the period.

Administration expenses

Administrative expenses for 1H2023 increased by S$0.1 million or 3.7% from S$2.9 million in 1H2022 to S$3.0M in 1H2023, mainly due to higher operating expenses such as transportation and travel costs.

Other operating expenses

Other operating expenses decreased by S$50,000 or 5.2% from S$968,000 in 1H2022 to S$918,000 in 1H2023 mainly due to the decrease in foreign exchange loss.

Finance costs

Finance costs increased by S$55,000 from S$38,000 in 1H2022 to S$93,000 in 1H2023 mainly due to increased bank borrowings and higher interest rates.

Profit for the period

As a result of the above, the Group's profit for 1H2023 was S$1.3 million, an increase of S$0.5 million as compared to 1H2022.

3.2. Review of the Group's financial position

Current assets

Current assets increased from S$43.9 million as at 31 March 2022 to S$44.0 million as at 30 September 2022, mainly due to the decrease in cash and cash equivalents of S$3.9 million, partially offset by the increase in contract assets of S$3.8 million.

Cash and cash equivalents decreased from S$11.5 million as at 31 March 2022 to S$7.6 million as at 30 September 2022, please refer to Section 3.3 of this announcement titled "Review of the Group's cash flows" for the reasons.

Contract assets increased from S$24.4 million as at 31 March 2022 to S$28.3 million as at 30 September 2022 mainly due to significant works performed towards the end of 1H2023 and the billings in the following financial periods based on the completion milestones of the ongoing projects.

Non-current assets

Non-current assets decreased from S$9.7 million as at 31 March 2022 to S$9.4 million as at 30 September 2022, mainly due to the depreciation charges incurred on property, plant and equipment ("PPE"), partially offset by an increase in the purchase of PPE to support the operation of the Group.

Current liabilities

Current liabilities decreased from S$20.9 million as at 31 March 2022 to S$20.7 million as at 30 September 2022, mainly due to the decrease in contract liabilities, partially offset by the increase of trade and other payables and bank borrowings.

Contract liabilities decreased from S$6.8 million as at 31 March 2022 to S$2.0 million as at 30 September 2022 due to the decrease in advance billings.

Trade and other payables increased from S$13.0 million as at 31 March 2022 to S$16.9 million as at 30 September 2022 due to the increase in purchases to support the ongoing EPC projects.

Non-current liabilities

Non-current liabilities decreased from S$4.7 million as at 31 March 2022 to S$4.4 million as at 30 September 2022, mainly due to the repayment of the bank borrowings.

3.3. Review of the Group's cash flows

Net cash used in operating activities amounted to S$2.5 million due to operating cash flows before movements in working capital of S$2.4 million, adjusted for net cash outflow from working capital changes of S$4.9 million.

Net cash outflow from working capital of S$4.9 million was due to:

a) the increase in contract assets of S$3.8 million as significant project works were performed towards the end of 1H2023 with billings in the following financial periods based on the completion milestones of the projects;
b) the decrease in contract liabilities of S$4.9 million due to the decrease in advance billings;
c) the increase in trade and other receivables of S$0.2 million; offset by
d) the increase in trade and other payables of S$4.0 million due to the increase in purchases to support the ongoing EPC projects.

Net cash used in investing activities of S$0.3 million mainly due to the purchases of property, plant and equipment in order to enhance the capabilities and efficiencies, partially offset by the proceeds from the disposal of property, plant and equipment.

Net cash used in financing activities of S$1.2 million was mainly due to the payment of dividends of S$1.0 million, repayment of bank borrowings and lease liabilities with interests of S$0.6 million, offset by an increase in bank borrowings of S$0.4 million.

As a result of the above, there was a net decrease of S$4.0 million in cash and cash equivalents in 1H2023.

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 six months ended 30 September 2022, the Group's revenue increased by 39.5% to S$39.02 million from the previous corresponding period of S$27.96 million. In the similar period, the Group's profit for the period increased by 54.1% to S$1.34 million from S$0.87 million. The Board is of the view that the Group's operating environment has somewhat normalised and gone back to pre-COVID-19 pandemic levels, as the Group continues to execute projects in its orderbook and tender for new projects. The Group's orderbook currently stands at S$373 million and is expected to be completed by early 2027. The Group will continue to proactively tender for projects that leverage its engineering expertise and strong track record, while continuing to attract talent to better position itself to tender for large water and wastewater related projects in Singapore.

Expanding into Industrial Sector

The Group's wholly owned subsidiary Enviro Plant & Engineering Pte. Ltd. ("EPE") which was established in April 2022, has started to make initial forays into the industrial sector as part of the Group's customer diversification efforts. EPE is positioning itself to 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's magnesium hydroxide slurry manufacturing plant has been set up as planned, with the Company obtaining the requisite licenses from the various authorities. To market its magnesium hydroxide slurry product, the Group is actively participating in exhibitions in Singapore and in the region. Magnesium hydroxide slurry has various industrial applications such as in the environmental protection market where it is used as a neutralising agent for wastewater treatment, as an effective sorbent for the removal of heavy metals in wastewater treatment, and as a liquid absorber for flue gas desulphurisation. The Group has diversified to capitalise on opportunities in green technologies that can utilise its existing knowledge and expertise, to expand the Group's revenue base.

Update on Sanli Myanmar (defined herein)

Although the operating environment of the Group's 60% owned subsidiary, Sanli Environmental (Myanmar) Company Limited ("Sanli Myanmar") has been stabilised with the easing of domestic and international travel, the political situation in Myanmar overall continues to be a dampener to its growth. For 1H2023, Sanli Myanmar contributed approximately 1.5% of the Group's revenue.

Outlook

Despite inflationary pressures, the Group continues to be hopeful that current geopolitical tensions will improve and that the global economy and industries will stabilise. Barring any unforeseen circumstances, the Group remains cautiously optimistic for the financial year ending 31 March 2023.

6. Dividend information

6a. Current financial period reported on

Any interim dividend recommended for the current financial period reported on?

No interim dividend has been declared or recommended for the current financial period under review.

6b. Corresponding period of the immediate preceding financial year

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

No.

6c. Date payable

Not applicable.

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

Not applicable.

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

No dividend has been declared or recommended for the financial period ended 30 September 2022 in view of the Group's operational and financial cash needs.

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

The Board of Directors of the Company confirms that, to the best of its knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the condensed interim consolidated financial statements for the six months ended 30 September 2022 (unaudited) to be false or misleading in any material aspect.

On behalf of the Board of Directors

Kew Boon Kee
Chief Executive Officer
14 November 2022