SANLI ENVIRONMENTAL LIMITED
Company Registration No.: 201705316M

PROPOSED ACQUISITION OF PROPERTY AT 22 CHIN BEE DRIVE, SINGAPORE 619870

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1. INTRODUCTION

The Board of Directors (the "**Board**") of Sanli Environmental Limited (the "**Company**", and together with its subsidiaries, the "**Group**") wishes to announce that the Company's wholly-owned subsidiary Sanli M&E Engineering Pte Ltd ("**Sanli M&E**" or the "**Purchaser**") has entered into a sale and purchase agreement (the "**SPA**") on 19 June 2023 with PERPETUAL (ASIA) LIMITED (in its capacity as trustee of ESR-LOGOS REIT) (the "**Vendor**"), an unrelated and independent third party (together with the Purchaser, the "**Parties**"), in respect of the purchase by the Purchaser of the property at 22 Chin Bee Drive, Singapore 619870 (the "**Property**") (the "**Proposed Acquisition**").

As the relative figure computed under Rule 1006 of the Listing Manual of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") Section B: Rules of Catalist (the "**Catalist Rules**") exceeds 5% but does not exceed 75%, the Proposed Acquisition constitutes a "discloseable transaction" as defined under Chapter 10 of the Catalist Rules. Accordingly, the approval of shareholders of the Company (the "**Shareholders**") at an extraordinary general meeting is not required for the Proposed Acquisition.

2. INFORMATION ON THE PROPERTY, THE VENDOR AND THE RATIONALE FOR THE PROPOSED ACQUISITION

The Property

The Property is held by the Vendor on a 30-year lease granted by Jurong Town Corporation as the head lessor commencing from 16 September 2005. The Vendor's leasehold interest in the Property is comprised of an instrument of lease IB/472965L as varied by the variation of lease IE/256747T and the variation of lease IH/369114V; and registered with the Singapore Land Authority. The Property is a 4-storey single user warehouse building with a 6-storey ancillary office and a 5-storey annex building with workers' dormitory. The total gross floor area is approximately 120,653 square feet.

The Company had appointed Centuray 99 Pte Ltd to conduct an independent desktop valuation on the Property for the purpose of the Proposed Acquisition. Based on the independent valuation report on the Property dated 10 May 2023, the open market value of the Property was S$13.8 million. The valuation was primarily derived using the Comparable Method of Valuation by taking into consideration of comparable properties with regard to their location, tenure, age, size, design, layout, condition amongst other factors.

The Vendor

The Vendor (in its capacity as trustee for ESR-LOGOS REIT) is a company incorporated in Singapore and has its registered office at 8 Marina Boulevard, #05-02 Marina Bay Financial Centre, Singapore 018981. To the best of the Company's knowledge, the Vendor, its directors, its shareholders, and their respective associates are not related to the Company. The Vendor, its directors and its shareholders do not currently hold any shareholding interest (direct or indirect) in the Company.

ESR-LOGOS REIT is a leading New Economy and future-ready Asia Pacific S-REIT. Listed on the Singapore Exchange Securities Trading Limited since 25 July 2006, ESR-LOGOS REIT invests in quality income-producing industrial properties in key gateway markets. As at 31 December 2022, ESR-LOGOS REIT holds interests in a diversified portfolio of logistics properties, high-specifications industrial properties, business parks and general industrial properties with total assets of approximately S$5.7 billion.

Sanli M&E has been leasing the Property from the Vendor since 15 March 2023 under the Lease Agreement dated 16 March 2023 (the "**Lease Agreement**"). Pursuant to the terms of the SPA, on completion (the "**Completion**") of the Proposed Acquisition, the Lease Agreement will be deemed to have been terminated and vacant possession of the Property together with the plant and equipment thereon shall be deemed to have been given to the Purchaser.

The Rationale

The Proposed Acquisition of the Property is intended to consolidate the Group's corporate office and workshops and house the Company's foreign workers in a centralised location. This will allow management's oversight of all the business units of the Group, increase operational efficiencies, lower the overall operating costs and reduce reliance on the dormitory facilities provided by third parties.

3. PURCHASE CONSIDERATIONS AND FUNDING

Purchase considerations between both Parties and the funding by the Company are as follows:

(a) The consideration for the Property was arrived at on a willing-buyer willing-seller basis, after taking into the open market value of the Property based on the valuation report dated 10 May 2023, the location of the Property and the market price of comparable properties in the vicinity of the Property.

(b) The total consideration for the purchase of the Property is S$13,800,000 (exclusive of GST) (the **"Consideration**").

(c) The Proposed Acquisition of the Property will be funded through a combination of internal resources and bank borrowings.

(d) Sanli M&E has paid 1% of the Consideration with GST thereon, amounting to the sum of S$149,040, as a good faith deposit. Within five business days of execution of the SPA, Sanli M&E shall pay a further deposit of 9% of the Consideration, amounting to the sum of S$1,242,000 (exclusive of GST), to the conveyancing account of the Vendor's solicitors, which amount shall be held by the Vendor's solicitors as stakeholders pending Completion. The remainder of the

Consideration is to be paid to the Vendor or such party as the Vendor may designate in writing on Completion.

4. MATERIAL CONDITIONS OF THE PROPOSED ACQUISITION

Conditions Precedent

Pursuant to the terms of the SPA, Completion of the Proposed Acquisition of the Property is subject to and conditional upon the following conditions being fulfilled:

(a) the approval of JTC (the "**Head Lessor**") and (where required by the Head Lessor) the relevant government authorities, to the sale of the Property by the Vendor to the Purchaser and change of use of the Property to Warehouse, Mechanical and Engineering Fabrication Works, Manufacturing of Chemical and Office being obtained and on terms and conditions imposed on the Vendor and the Purchaser, which are acceptable to the Vendor and the Purchaser;

(b) the Vendor having obtained the Head Lessor's confirmation that the Head Lessor declines the written offer made by the Vendor to the Head Lessor for the sale, transfer or assignment of the Vendor's interest in the Property or any part thereof to the Head Lessor; and

(c) the Vendor having obtained the Head Lessor's final confirmation that it has no objection to the Parties proceeding with the completion and the execution by the Parties and the registration of the transfer instrument in respect of the Property in favour of the Purchaser or the assignment of the Head Lease to the Purchaser (as the case may be).

5. COMPLETION DATE

The Completion Date shall be four (4) weeks from the date of the Head Lessor Approval, or such other date as both Parties may mutually agree in writing.

6. FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION

The financial effects of the Proposed Acquisition set out below are purely for illustrative purposes only and do not reflect the future financial position of the Company after the completion of the Proposed Acquisition.

The financial effects of the Proposed Acquisition were calculated based on the audited consolidated financial statements of the Group for the financial year ended 31 March 2022 ("**FY2022**"), being the most recently completed financial year for which audited financial statements are publicly available as at the date of this announcement.

6.1 Net Tangible Assets per Share

The effect of the Proposed Acquisition on the net tangible assets ("**NTA**") per share of the Group for FY2022, assuming that the Proposed Acquisition had been effected at the end of FY2022 is as follows:

As at 31 March 2022	Before the Proposed Acquisition	After the Proposed Acquisition
NTA (S$'000)	27,819	27,819
Number of issued shares, excluding treasury shares	266,432,113	266,432,113
NTA per share (Cents)	10.4	10.4

6.2 Earnings per Share

The effect of the Proposed Acquisition on the earnings per share of the Group for FY2022, assuming that the Proposed Acquisition had been effected on 1 April 2021 is as follows:

FY2022	Before the Proposed Acquisition	After the proposed Acquisition
Profit attributable to the owners of the Company (S$'000)	1,774	518
Number of issued shares, excluding treasury shares	266,432,113	266,432,113
Earnings per share (Cents)	0.67	0.19

6.3 Gearing

The effect of the Proposed Acquisition on the gearing of the Group for FY2022, assuming that the Proposed Acquisition had been effected at the end of FY2022 is as follows

FY2022	Before the Proposed Acquisition	After the proposed Acquisition
Borrowings and Lease Liabilities (S$'000)	5,602	16,642
Shareholders' Fund (S$'000)	28,035	28,035
Gearing ratio (times)	0.20	0.59

7. RELATIVE FIGURES COMPUTED BASED ON RULE 1006 OF THE CATALIST RULES

Based on the latest announced unaudited consolidated financial statements of the Group for the half year ended 30 September 2022, the relative figures of the Proposed Acquisition as computed on the relevant bases set out in Rule 1006 of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") (the "**Catalist Rules**") are as follows:

Rule		**Relative Figures (%)**
1006 (a)	Net asset value of the assets to be disposed of, compared with the group's net asset value.	Not applicable [(1)]
1006 (b)	Net profits attributable to the assets acquired or disposed of, compared with the group's net profits.	Not applicable [(2)]
1006 (c)	The aggregate value of the consideration given or received, compared with the issuer's market capitalisation based on the total number of issued shares excluding treasury shares.	The Consideration of S$13,800,000 for the Proposed Acquisition represents approximately 48.86% of the Company's market capitalisation of approximately S$28,242,000 as at the last market day preceding the date of the SPA.
1006 (d)	The number of equity securities issued by the issuer as consideration for an acquisition, compared with the number of equity securities previously in issue.	Not applicable
1006 (e)	The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the group's proved and probable reserves. This basis is applicable to a disposal of mineral, oil or gas assets by a mineral, oil and gas company, but not to an acquisition of such assets.	Not applicable

Notes:

(1) Not applicable, as this concerns a Proposed Acquisition of the Property and is not a disposal.

(2) Not applicable, as there is no net profits attributable to the Property.

As the relative figure calculated under Rule 1006(c) of the Catalist Rules exceeds 5% but does not exceed 75%, the Proposed Acquisition constitutes a "disclosable transaction" and approval from Shareholders will not be required.

8. SERVICE CONTRACT

No person will be appointed to the Board of the Company, and no service contract will be entered into by the Company, in connection with the Proposed Acquisition.

9. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

The Company and its Directors and controlling shareholders are not related to the Vendor, its shareholders or their respective associates.

Other than through their respective shareholdings (if any) in the Company, none of the Directors and controlling shareholders of the Company, or their respective associates, has any interest, direct or indirect, in the Proposed Acquisition.

10. DOCUMENTS FOR INSPECTION

A copy of SPA and Property's valuation report is available for inspection during normal office hours at the registered office of the Company at 28 Kian Teck Drive, Singapore 628845 for three (3) months from the date of this announcement.

11. FURTHER ANNOUNCEMENTS AND CAUTIONARY STATEMENT

The Company will make further announcements to keep shareholders informed, as and when there are further material updates and developments in respect of the Proposed Acquisition.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company. In particular, shareholders and potential investors should note that completion of the Proposed Acquisition is subject to fulfilment of various conditions as set out in the SPA and there is no certainty or assurance that the Proposed Acquisition will be completed. Persons who are in doubt as to the action they should take should consult their stockbrokers, bank managers, solicitors or other professional advisers.

By Order of the Board

Sim Hock Heng
Chief Executive Officer and Executive Director
19 June 2023

This announcement has been reviewed by the Company's sponsor ("Sponsor"), SAC Capital Private Limited. This announcement has not been examined or approved by 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: (65) 6232 3210) at 1 Robinson Road, #21-00 AIA Tower, Singapore 048542.