SANLI ENVIRONMENTAL LIMITED

MEDIA RELEASE

For Immediate Release

Sanli achieves revenue of S$30.8 million in 1HFY2018

- **Gross profit margin improves to 15.8% in 1HFY2018, as compared to 14.4% in 1HFY2017**
- **Net asset value per share increases to 8.3 cents as at end 1HFY2018**
- **Established track record in water and waste management would underpin its business strategies and growth plans**

(S$'000)	1HFY2018	1HFY2017	% change
Revenue	30,754	33,749	(8.9)
Gross profit	4,861	4,860	-
Gross profit margin	*15.8%*	*14.4%*	*+ 1.4% ppts*
Profit before tax	1,096	2,687	(59.2)
Profit before tax *(excluding one-off IPO expenses)*	2,327	2,687	(13.4)

SINGAPORE, 13 November 2017 – Sanli Environmental Limited ("**Sanli**" and together with its subsidiaries, the "**Group**"), an environmental engineering company with more than ten years of experience and over 1,000 completed projects in the field of water and waste management under its belt, today announced that it has achieved revenue of S$30.8 million for the six months ended 30 September 2017 ("**1HFY2018**").

Revenue declined 8.9% year-on-year from S$33.7 million for the six months ended 30 September 2016 ("**1HFY2017**"), mainly due to lower contribution from its Operations and Maintenance segment, as it faced keen competition in light of a weaker market experienced during the period. Despite the weaker revenue, gross profit was relatively stable at S$4.9 million. Gross profit margin improved from 14.4% in 1HFY2017 to 15.8% in 1HFY2018, mainly due to lower cost of contract works stemming from decrease in material costs comprising mechanical and electrical equipment, hardware components, tools and spares, and consumables.

The Group recorded profit before tax of S$1.1 million in 1HFY2018, compared to S$2.7 million in 1HFY2017. Included in 1HFY2018 results are one-off IPO expenses amounting to S$1.2 million. Excluding the one-off IPO expenses, profit before tax in 1HFY2018 would have been S$2.3 million. The Group recorded a net profit attributable to shareholders of S$0.7 million in 1HFY2018.

Commenting on the results, Mr Sim Hock Heng, Chief Executive Officer of Sanli said, "*The current operating environment has been very challenging for the water and waste management industry in general, and competition remains keen. The revenue achieved is a reflection of the Group's established track record and capabilities, and we are very encouraged by it. The Group's efforts in managing project costs are also paying off as we were able to improve gross profit margins. We remain committed to doing our best and will continue to seek opportunities to drive the business forward.*"

Financial Position

The Group's balance sheet remains strong, with a net cash position of S$4.8 million as at 30 September 2017. Net assets were S$22.3 million as at 30 September 2017, compared to S$8.5 million as at 31 March 2017. This translates into a net asset value per share of 8.3 cents as at 30 September 2017.

The increase in net assets was mainly due to increase in total assets by 30.0% to S$39.2 million as at 30 September 2017, as well as a decrease in total liabilities by 22.0% year-on-year to S$16.9 million as at 30 September 2017. The increase in total assets was largely attributed to increase in contracts work-in-progress in excess of billings as the Group carried out significant work done in its execution of various on-going projects, as well as capital expenditure for the Group's new leasehold property at 28 Kian Teck Drive.

Business Outlook

The Group will continue to capitalise on its established track record in undertaking water and waste management projects in Singapore, to grow its business. It recently secured projects from both the private and public sectors, with a total value of S$8.1 million. These projects are expected to contribute to the Group's revenue from 2HFY2018.

The public sector water and waste management industry, which currently forms the core of the Group's business, is expected to remain stable supported by ongoing and upcoming

projects. Projects such as the NEWater, desalinated water and Deep Tunnel Sewerage System (DTSS) are large scale projects which offer potential business opportunities for the Group. The Group will rigorously monitor its operations to ensure that its service quality and competitive edge in public sector projects is maintained and continuously enhanced.

At the same time, the Group will invest in a business development department to implement its business strategy. This strategy will take into account potential opportunities that will arise as demand for water management solutions by industrial players in Singapore grow. Managing industrial water use will become a priority for many water-intensive businesses operating in Singapore such as petrochemicals, electronics and pharmaceuticals.

The Group will also continue to undertake careful and comprehensive evaluation of areas for potential future growth in the ASEAN region.

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This media release is to be read in conjunction with the Company's announcement posted on the website of the SGX-ST on 13 November 2017.

About Sanli Environmental Limited

Sanli is an environmental engineering company in the field of water and waste management. It has more than ten years of experience and over 1,000 completed projects under its portfolio.

The Group'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 Group has two main business segments: **Engineering, Procurement and Construction** ("**EPC**") and **Operations and Maintenance** ("**O&M**"). Under its EPC segment, Sanli provides 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 equipment, and design and build of various treatment process systems. Through its O&M segment, the Group provides corrective and preventive maintenance services to ensure reliability and minimal disruptions to customers' operations.

For more information, please visit the company website at www.sanli.com.sg.

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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 media release.

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