SANLI ENVIRONMENTAL LIMITED

MEDIA RELEASE

For Immediate Release

Sanli achieves revenue of S$71.4 million in FY2019

- **Proposes final dividend of 0.25 cent per share for FY2019**
- **Net asset value per share increased to 9.9 cents as at end FY2019**
- **Myanmar expansion progressing well, helped by its established track record and strong expertise**

(S$'000)	FY2019	FY2018	% change
Revenue	71,350	75,609	(5.6)
Gross profit	9,761	10,871	(10.2)
Gross profit margin	*13.7%*	*14.4%*	*-0.7 ppts*
Profit before tax	2,827	3,840	(26.4)

SINGAPORE, 23 May 2019 – Sanli Environmental Limited ("**Sanli**" and together with its subsidiaries, the "**Group**"), one of Singapore's leading environmental engineering companies, today announced that it achieved revenue of S$71.4 million for the financial year ended 31 March 2019 ("**FY2019**"). This was slightly lower than the S$75.6 million revenue recorded a year ago ("**FY2018**").

Commenting on the results, Mr Sim Hock Heng, Chief Executive Officer of Sanli said, "*The operating environment has been challenging, with increased competition and labour costs. The team will press on, and leverage on our established track record and expertise to secure more contracts, whilst monitoring our operations at the same time, to ensure we maintain our competitive edge. The progress that the team has made in Myanmar is very encouraging. Sanli will continue its efforts to grow the business in the region.*"

Performance Review

FY2019 revenue was 5.6% lower year-on-year at S$71.4 million, mainly due to lower contribution from its Operations and Maintenance ("**O&M**") segment, which decreased 30.6% year-on-year. This was partially offset by slightly higher revenue from the Engineering, Procurement and Construction ("**EPC**") segment. In line with the decrease in revenue, the Group's cost of contract works decreased 4.9% to S$61.6 million in FY2019. As a result, gross profit decreased 10.2% to S$9.8 million, while gross profit margin decreased by 0.7 percentage points to 13.7% in FY2019, in tandem with the decrease in revenue from the higher-margin O&M segment.

Administrative expenses increased by 16.9% in FY2019 to S$6.1 million, mainly due to higher employees' remuneration resulting from an increase in salaries and headcount for the Group's business development department. The Group also incurred additional professional fees, advertising, exhibition, travelling and office expenses in relation to the expansion into Myanmar.

Consequently, the Group recorded a 26.4% decrease in profit before tax to S$2.8 million in FY2019. The Group's net profit attributable to shareholders was S$2.2 million in FY2019.

Proposed Dividend

Sanli is proposing to reward shareholders with a final dividend of 0.25 cent per share for FY2019. This translates into a payout of 30.3% of its net profit attributable to shareholders. The proposed dividend is subject to shareholders' approval at the upcoming FY2019 Annual General Meeting.

Financial Position

The Group's balance sheet remains healthy, with a net cash position of S$6.1 million. Net assets increased to S$26.7 million as at 31 March 2019, from S$24.9 million as at 31 March 2018. This translates into a higher net asset value per share of 9.9 cents as at 31 March 2019.

Total assets increased by 5.5% to S$52.0 million as at 31 March 2019, mainly due to higher trade receivables arising from increased billings made in the month of March 2019, as well as increased contract assets due to work done for execution of various on-going projects.

Total liabilities increased by 3.8% to S$25.3 million as at 31 March 2019, mainly due to an increase in trade and other payables, which was partially offset by decreases in contract liabilities and income tax payable.

Business Outlook

Creating a sustainable water supply in Singapore will remain an important focus and it will be an on-going effort for the Singapore government. The public sector water and waste management industry is expected to remain stable, supported by ongoing and upcoming projects. Large scale projects such as the NEWater, desalinated water and Deep Tunnel Sewerage System (DTSS), offer potential business opportunities for Sanli. While competition is expected to be keen, the Group will continue to leverage on its established track record, as well as its strong capabilities and expertise, to secure more water and waste management projects.

The Group will also rigorously monitor its operations to ensure that its service quality and competitive edge in public sector projects is maintained and continuously enhanced.

As part of the Group's business strategy and implementation, the Group has invested in a business development department that will take into account potential opportunities arising from the growing demand for water management solutions by industrial players in Singapore. Managing industrial water use will become a priority for many water-intensive businesses operating in Singapore such as petrochemicals, electronics and pharmaceuticals companies.

The Group will also continue to undertake careful and comprehensive evaluation of areas for potential future growth. This can be seen in the Group's expansion into Myanmar and its recent EPC contract wins (as announced on 2 April 2019). The Group will continue to capitalise on its expertise, to secure more contracts in Myanmar, to grow its footprint regionally, particularly in ASEAN.

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About Sanli Environmental Limited

Sanli is an environmental engineering company in the field of water and waste management. 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 been prepared by Sanli Environmental Limited (the "Company") and its contents have been reviewed by the Company's sponsor, SAC Capital Private Limited (the "Sponsor").

This media release 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 media release, including the correctness of any of the statements or opinions made, or reports contained in this media release.

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