

ANNUAL REPORT 2020

# NEXT LEAP FORWARD

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This annual report has been reviewed by the Company's Sponsor, SAC Capital Private Limited (the "**Sponsor**").

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

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.



## NEXT LEAP FORWARD

Sanli strives to lead and break new ground in the water and wastewater treatment industry. Featuring a group of people leaping forward, this cover connotes Sanli's resilience and strength whilst undergoing change in the face of adversity. We have transformed ourselves and will continue to evolve by diligently investing in our people and our technology in order to take the next step towards growth.

By driving innovation through digital technologies and cost-effective methodologies, we are taking the Next Leap Forward.

## CORPORATE PROFILE

### OUR VISION

To be a leading environmental solutions company capable of meeting the needs of tomorrow.

### OUR MISSION

To provide reliable and cost-effective total solutions for water and waste management, driven by innovation and executional excellence.

### OUR CORE VALUES

#### Safety First

We believe that no job or task is so important that we can risk our colleagues' and stakeholders' lives for.

#### Boldness

We dare to step into the unknown to create a better environment for our society.

#### Be Different

We think out of the box when providing solutions for our clients.

#### Integrity

We believe that honesty is the best policy to ensure a healthy and long-term relationship between our partners and us.

#### Unity

We strive together as one family to achieve success.

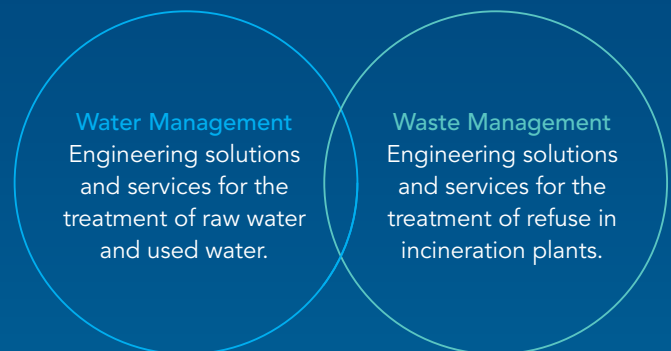
We are an environmental engineering company in the field of water and waste management. Our expertise is in the design, supply, delivery, installation, commissioning, maintenance, repair and overhaul of mechanical and electrical equipment as well as process, instrumentation and control systems in wastewater treatment plants, water reclamation plants, NEWater plants, waterworks, service reservoirs, pumping stations and incineration plants.

Our business is divided into two main business segments:



### ENGINEERING, PROCUREMENT AND CONSTRUCTION

- We provide engineering, procurement and construction services within the field of water and waste management.
- Our services include 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.



### OPERATIONS AND MAINTENANCE

- We provide corrective and preventive maintenance services to ensure reliability and minimal disruptions to customers' operations.

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

## CEO'S MESSAGE



### DEAR SHAREHOLDERS,

In my first address as Chief Executive Officer ("CEO") of the Group, I aim to provide a comprehensive review of the financial year ended 31 March 2020 ("FY2020"), as well as give insight into the direction of the Group moving forward.

### THE YEAR IN REVIEW

This year, despite challenging local conditions such as stiff competition in the industry and a general slowdown in the economy, paired with global issues such as the Covid-19 pandemic, we continued to hold steady, successfully completing key projects and remaining profitable for FY2020.

The Group achieved profit attributable to shareholders of S\$0.3 million, on the back of a 6.0% decline in Group revenue to S\$67.1 million. This slight dip in revenue was attributable to lower contribution from the Engineering, Procurement, and Construction ("EPC") segment resulting from a delay in the execution of a few major projects, as well as a decrease in Operations and Maintenance ("O&M") segment due to heightened competition and a general slowdown in the economy. Correspondingly, the Group recorded gross profit of S\$7.4 million, down 24.1% from S\$9.8 million in FY2019, while gross profit margin was narrowed by 2.7 percentage points year-on-year to 11.0%.

The Group's financial position remained healthy, with a net asset value of S\$26.4 million as at 31 March 2020, which translates into a net asset value per share of 9.81 Singapore cents. Cash and cash equivalents rose from S\$8.8 million to S\$18.2 million.

Nonetheless, since the end of FY2020, our Group, like many other businesses, has had to contend with the pervasive

effects of the Covid-19 pandemic. We experienced a temporary disruption to our supply chain in the last quarter of FY2020, due to delayed shipments of materials from China resulting from the country's lockdown measures. Additionally, following the implementation of Singapore's Circuit Breaker measures in April 2020, we temporarily suspended our local EPC operations, though activities for the O&M segment have continued throughout this period as these are considered essential services by the Singapore government. We also had to contend with a disruption in manpower due to the pandemic's effect on the foreign worker community in Singapore and the subsequent countermeasures put in place by authorities, which included movement restrictions and quarantine measures.

We have since been able to overcome some of these disruptions and progressively resume our operations since late June 2020, with minimal manpower. Our supply chain has also been fully restored. Nonetheless, we will continue to monitor our manpower such that we are able to successfully execute our projects while ensuring that the health and safety of our staff is taken care of. Overall, we expect the Covid-19 pandemic to impact the Group's financial performance for the coming financial year, though we are unable to fully ascertain the extent of its impact at this point.

The Group also underwent a renewal in leadership, as announced on 21 April 2020. From 1 May 2020, I took over the role of CEO of the Company, while Mr Sim Hock Heng has been re-designated as Executive Director of the Group. In our new roles, I will be responsible for setting the strategic direction of the Group as well as managing its overall performance, while Mr Sim will focus on the Group's overseas expansion plans while continuing to manage its overall administration and operations. To further strengthen Sanli's project delivery, we have set up 3 new departments, namely, Digital Delivery, Planning, and Contracts. These are headed by experienced managers who are also responsible for training staff in these areas. At a corporate level, our IT Department has also been strengthened, and we are on the road to receiving our Personal Data Protection Act trust mark by 1 October 2020. Procurement processes have also been improved upon, with two assistant procurement managers added to the department. This shift in leadership is part of the Group's strategic plan to transform and strengthen the management team in order to take Sanli to the next level of growth, and we are optimistic that this transition will have a positive effect on the Group's operations and performance moving forward.

### BUSINESS PROSPECTS AND OUTLOOK – NEXT LEAP FORWARD

With the renewal in leadership in place, we are motivated to take Sanli to greater heights by pursuing substantial projects, exploring possible avenues for regional expansion, and strengthening our internal expertise and capabilities.

Overall, despite the challenging global conditions, we retain a cautiously optimistic outlook on the water and waste

## CEO'S MESSAGE

### WE ARE MOTIVATED TO TAKE SANLI TO GREATER HEIGHTS BY PURSUING SUBSTANTIAL PROJECTS, EXPLORING POSSIBLE AVENUES FOR REGIONAL EXPANSION, AND STRENGTHENING OUR INTERNAL EXPERTISE AND CAPABILITIES

management industry moving forward as we believe that the Singapore government will continue to maintain its focus of ensuring a sustainable water supply for the country, thus providing a stream of potential opportunities and projects for the Group.

In the similar vein, we are encouraged that we recently clinched a sub-contract to be part of the major Deep Tunnel Sewerage System ("DTSS") project. In June 2020, we have also secured a sub-contract through our wholly-owned subsidiary, Sanli M&E Engineering Pte. Ltd. ("Sanli M&E"), for the Mechanical, Electrical and Instrumentation Control and Automation portion of the Tuas Water Reclamation Plant Contract 4A – Biosolids and Digesters ("Contract 4A"), which is a component of DTSS Phase 2. We are particularly heartened to be a part of Contract 4A as it is an essential step in the formation of Tuas Nexus, which is Singapore's first initiative towards combining water and solid waste treatments, and encompasses the amalgamation of the operations of the Tuas Water Reclamation Plant and the National Environment Agency's Integrated Waste Management Facility.

Under this sub-contract, we will undertake, among other tasks, the construction of biosolids treatment and biogas handling facilities and digesters at Tuas Water Reclamation Plant, the supply and installation of biosolids treatment and biogas handling equipment, and the testing and commissioning of the facilities. Works for this sub-contract are expected to complete in 2025. To that end, in July 2020, we entered into a joint venture agreement with Hong An Engineering Pte. Ltd. through Sanli M&E for the principal purpose of carrying out electrical and instrumentation, controls and automation works of Contract 4A, and to subsequently pursue other similar business opportunities in Singapore and the ASEAN region.

In addition to Contract 4A, our Group will continue to carry out other pertinent EPC projects in the year ahead. These works, which consist of both public and private sector projects, include a contract with the Public Utilities Board ("PUB") for the replacement of mechanical and electrical equipment at Kranji Water Reclamation Plant, a contract with the National Environment Agency for the supply and replacement of dust control system conveyors at Tuas South Incineration Plant, and a project for Penta-Ocean Construction Co., Ltd. for the supply and installation of a mechanical package at Pulau Tekong.

We will also continue to carry out O&M activities, which consists mainly of projects for PUB ranging from the maintenance and repair of the chemical dosing system at Johor River Waterworks, the servicing of a drainage pumping system at Marina Barrage, and the overhaul and repair of alternators and motors at various PUB installations island-wide.

The Group's order book, inclusive of overseas projects, stands at S\$293.3 million, as at 3 June 2020. These projects will be carried out progressively over the next few years.

Aside from executing the projects in our order book, we will also continue to explore potential opportunities for growth in overseas markets, specifically within the ASEAN region. While we have made inroads into Myanmar in the past few years, we are hopeful that when Covid-19-related travel and movement restrictions are eventually lifted, we will be able to ramp up our regional expansion efforts, particularly by growing our operations in Myanmar as well as assessing opportunities in other parts of the region.

In order to complement and support our growth and expansion plans, we will also focus on strengthening our internal capabilities. We will focus on bolstering the skills and abilities of our staff in areas such as project management through initiatives such as training programmes and workshops. In addition, we will also adopt digital technologies for both EPC and O&M operations in order to drive innovation and increase operational efficiency. Moreover, we will look into incorporating cost-effective methodologies into our management and execution of projects. We are hopeful that by upgrading our Group's abilities and expertise, as well as effectively managing our costs, we will be well-positioned to take on larger and more complex projects in the future.

#### DIVIDEND

Despite these challenging times, we would like to reward our shareholders for their continued support throughout the years. Our Board is pleased to propose a final dividend of 0.06 Singapore cent per ordinary share, subject to shareholders' approval at a dividend payout of 51.2% of our net profit attributable to shareholders.

#### APPRECIATION

On that note, I would like to thank our shareholders for their confidence in us in FY2020. I would also like to express my gratitude to my fellow members on the Board for their invaluable advice and insight. Additionally, I would like to thank the Group's employees and workers for their hard work and dedication, as well as to our business partners and customers for their support. We will work hard to take Sanli to greater heights in the year ahead.

**Mr. Chua Teck Huat**  
Chief Executive Officer



## REVENUE FY2020

**S\$67.1** mil

6.0% ▼

(FY2019 : S\$71.4 mil)

## GROSS PROFIT FY2020

**S\$7.4** mil

24.1% ▼

(FY2019 : S\$9.8 mil)

## EPC REVENUE FY2020

**S\$53.9** mil

6.7% ▼

(FY2019 : S\$57.8 mil)

## O&amp;M REVENUE FY2020

**S\$13.1** mil

3.0% ▼

(FY2019 : S\$13.5 mil)

## REVENUE

Overall, Group revenue declined by 6.0% to S\$67.1 million in the financial year ended 31 March 2020 ("FY2020") due to lower contributions from both Engineering, Procurement and Construction ("EPC") and Operations and Maintenance ("O&M") segments.

Revenue for the EPC segment dropped by 6.7%, from S\$57.8 million to S\$53.9 million, mainly due to a delay in the execution of a few major projects following disruptions to the Group's supply chain as a result of the Covid-19 pandemic. Revenue from the O&M segment dipped slightly by 3.0% to S\$13.1 million, mainly due to a general slowdown in the economy as well as heightened competition within the industry.

The EPC and O&M segments accounted for 80.4% and 19.6% of revenue respectively in FY2020, as compared to 81.0% and 19.0% in FY2019.

## PROFITABILITY

Cost of contract works declined by 3.1% to S\$59.7 million in tandem with the decrease in revenue during the year.

Gross profit dropped by 24.1% to S\$7.4 million, mainly due to a decrease in gross profit of S\$2.8 million from the EPC segment, in line with the lower revenue. This was partially offset by an increase in gross profit of S\$0.4 million from the O&M segment. Consequently, gross profit margin narrowed from 13.7% in FY2019 to 11.0% in FY2020.

Administrative expenses fell by 4.7% to S\$5.8 million, in line with the decrease in revenue, while finance costs increased by 45.4% to S\$0.14 million due to additional finance costs arising from the lease liabilities.

As a result, the Group's net profit decreased sharply by 80.7% to S\$0.4 million.

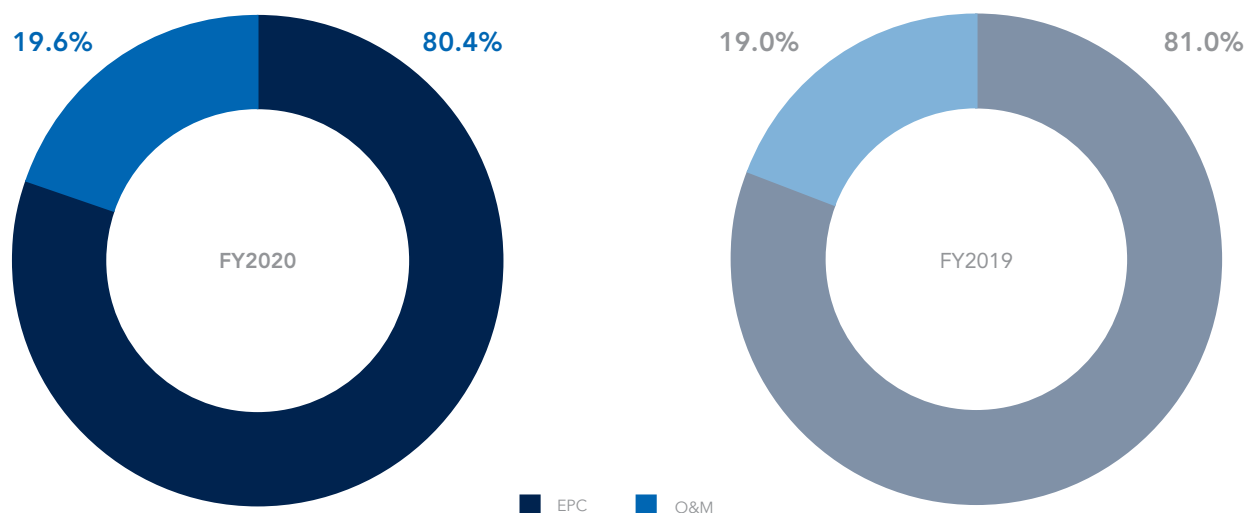
## FINANCIAL POSITION

The Group's financial position remained healthy, with a net asset value of S\$26.4 million as at 31 March 2020. This translates into a net asset value per share of 9.81 Singapore cents. Cash and cash equivalents rose substantially from S\$8.8 million at 31 March 2019 to S\$18.2 million as at 31 March 2020.

Current assets dropped 3.0% to S\$39.6 million mainly due to a decrease in trade and other receivables and contract assets, which was partially offset by a rise in cash and cash equivalents. Trade and other receivables declined by 29.6% to S\$11.5 million mainly due to lower billings towards the end of FY2020 as a result of delay in execution of a few major projects. Contract assets decreased by 35.4% to S\$10.0 million mainly due to decrease in work done for certain major projects towards the end of FY2020. Financial assets at fair value through profit or loss was disposed during the FY2020.

Non-current assets rose by 2.0% to S\$11.4 million mainly due to an increase in the right-of-use assets of S\$2.1 million arising from the adoption of SFRS(I) 16 Leases, partially offset by a decrease in property, plant and equipment of S\$1.9 million.

## REVENUE BY BUSINESS SEGMENT



### Geographical segments

The Group's activities are located primarily in Singapore and the revenue contribution for Myanmar expansion is not significant as compared to the Group's revenue. The geographical locations of the Group's customers and assets are primarily in Singapore. Accordingly, there are no geographical segments presented.

Current liabilities fell by 7.4% to S\$21.0 million mainly due to a decrease in trade and other payables of S\$4.2 million and income tax payable of S\$0.4 million, partially offset by an increase in contract liabilities of S\$2.9 million.

Non-current liabilities increased by 33.7% to S\$3.5 million arising from the recognition of non-current lease liabilities of S\$1.1 million following the adoption of SFRS(I) 16 *Leases*, which was partially offset by repayments of borrowings and lease liabilities during the financial year.

## CASH FLOW

The Group's cash and cash equivalents improved from S\$8.8 million at 31 March 2019 to S\$18.2 million at 31 March 2020.

Net cash from operating activities amounted to S\$10.3 million, comprising operating cash flow before movements in working capital of S\$1.9 million, adjusted for net cash inflow from working capital changes of S\$8.9 million and income tax

paid of S\$0.5 million. Net cash inflow from working capital of S\$8.9 million was a result of (a) a decrease in trade and other receivables of S\$4.8 million due to prompt collections; (b) a decrease in contract assets of S\$5.4 million due to fewer projects executed during the year; and (c) an increase in contract liabilities of S\$2.9 million arising from advance billings. These were partially offset by a decrease in trade and other payables of S\$4.2 million due to prompt payments to suppliers.

The Group generated net cash from investing activities of S\$0.3 million, mainly from the proceeds from the disposal of financial assets at fair value through profit or loss.

Net cash used in financing activities of S\$1.2 million was mainly due to dividend payment of S\$0.7 million, repayment of borrowings and lease liabilities of S\$0.4 million, and interest payment of S\$0.1 million.

## PROJECT GALLERY



### ENGINEERING, PROCUREMENT AND CONSTRUCTION



Replacement of mechanical and electrical equipment at Kranji Water Reclamation Plant Part A - Construction Works.



Design, manufacture, delivery, installation, training and testing & commissioning of hydrated lime storage, feed and saturation system.



Replacement of aged equipment at high lift station and electrical network upgrading at Bedok Waterworks.



Replacement of 6.6kV Switchgears, 415V switchboards, transformers, cables and ancillaries at Johor Plants.



Replacement of stainless steel trough at Plant B Johor River Waterworks.



Replacement of pumpsets at Upper Seletar Pumping station and various pond and stream stations.



## PROJECT GALLERY



### OPERATIONS AND MAINTENANCE



Overhaul of centrifugal pumps, disintegrators and related equipment and maintenance works at PUB installations.



Maintenance of the existing Volatile Organic Compound (VOC) Remote Monitoring System.



Operations and maintenance of electrical, mechanical and instrumentation equipment at PUB drainage installations.



Refurbishment of centrifugal pumps in NEWater Factories and Waterworks - Schedule A - C.

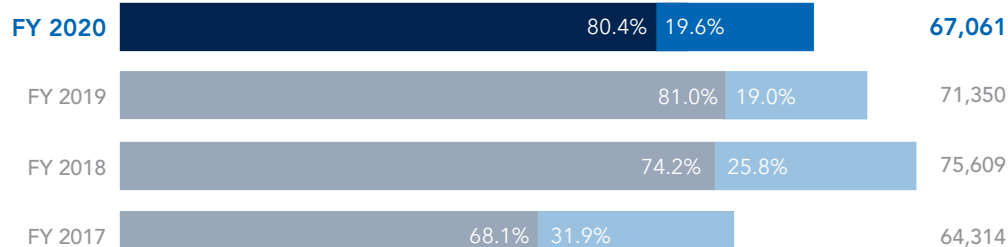
## FINANCIAL HIGHLIGHTS

### REVENUE

(\$'000)

# 67,061

■ Engineering, Procurement and Construction  
■ Operations and Maintenance

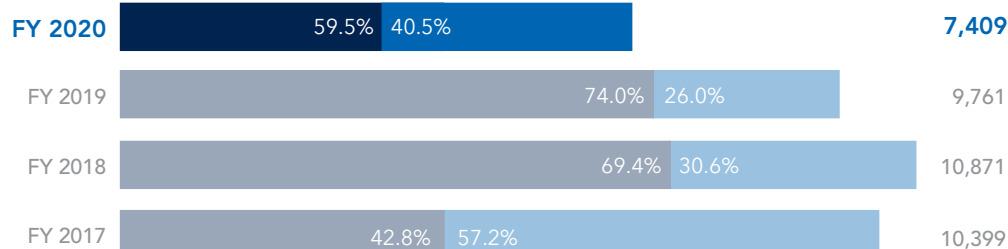


### GROSS PROFIT

(\$'000)

# 7,409

■ Engineering, Procurement and Construction  
■ Operations and Maintenance



### PROFIT BEFORE TAX

(\$'000)

# 661



### PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

(\$'000)

# 315



## BOARD OF DIRECTORS



### NG LIP CHI, LAWRENCE

Non-Executive Chairman and  
Independent Director

Mr Ng Lip Chi, Lawrence is our Non-Executive Chairman and Independent Director. He was appointed to our Board on 11 May 2017. Mr Ng is an executive director of NLC Advisory Pte. Ltd. which provides corporate advisory and business consultancy services. Mr Ng has extensive experience in international mergers and acquisitions and corporate finance, having worked in professional and financial services firms such as Arthur Anderson, Credit Agricole Indosuez Merchant Bank Asia Ltd and DBS Bank Ltd, as well as the corporate finance team of an Asian natural resources conglomerate. Mr Ng is a Chartered Financial Analyst and holds a Bachelor of Business Administration degree from the National University of Singapore.



### CHUA TECK HUAT

Chief Executive Officer

Mr Chua Teck Huat is our Chief Executive Officer and an Executive Director. He was appointed to the Board on 15 November 2019 and re-designated as Chief Executive Officer with effect from 1 May 2020. Mr Chua Teck Huat is responsible for setting the strategic direction and the overall performance and development of the Group. Prior to joining our Group, Mr Chua served as General Manager, Head of Building Construction Division (M&E), International Business Unit at Penta-Ocean Construction Co Ltd, where he has 17 years of experience. Mr Chua graduated with a Bachelor of Mechanical Engineering from the National University of Singapore in 1982. Mr Chua is a Professional Engineer.



## BOARD OF DIRECTORS



**SIM HOCK HENG**  
Executive Director

Mr Sim Hock Heng is our Executive Director and was appointed to our Board on 27 February 2017. Mr Sim oversees the overall business operation and general management of our Group. He has more than 20 years of experience in the field of water and waste management. Mr Sim joined Dayen Environmental Ltd ("Dayen", now known as Moya Holdings Asia Limited) in 1995, where he was involved in tender preparation and project management. He left Dayen as a project manager in February 2005. Prior to co-founding our Group, Mr Sim was engaged by Dayen as a freelance project manager to complete an on-going project until March 2006. Mr Sim graduated with a Diploma in Electrical Engineering in April 1991 from Singapore Polytechnic and subsequently obtained a Bachelor of Science degree from SIM University in September 2007.



**KEW BOON KEE**  
Executive Director

Mr Kew Boon Kee is our Executive Director and was appointed to our Board on 27 February 2017. Mr Kew is in charge of our Engineering, Procurement and Construction business segment, Operations and Maintenance business segment, as well as our workplace, health and safety function. Mr Kew joined Dayen Environmental Ltd ("Dayen", now known as Moya Holdings Asia Limited) as a project engineer and was responsible for managing water and wastewater projects between February 1999 and February 2005. Prior to co-founding our Group, Mr Kew was engaged by Dayen as a freelance project engineer to complete an on-going project until March 2006. Mr Kew graduated with an Engineering Diploma from the Federal Institute of Technology in February 1994 and a Bachelor of Engineering degree with Second Class Honours (First Division) in Electrical and Electronic Engineering from University of Sunderland in June 1996.



**LEE TIEN CHIAT**  
Executive Director

Mr Lee Tien Chiat is our Executive Director and was appointed to our Board on 27 February 2017. Mr Lee is in charge of our procurement function, workshop and fabrication team as well as our design team. He has more than 20 years of experience in project management and implementation. Prior to joining our Group in October 2007, Mr Lee was a project manager in Dayen Environmental Ltd ("Dayen", now known as Moya Holdings Asia Limited) where he was in charge of project management in the field of water and waste management between September 1999 and September 2007. Mr Lee graduated with a Bachelor of Science degree in Mechanical Engineering from National Taiwan University in June 1995 and a Master of Science degree (Environmental Engineering) from Nanyang Technology University in February 2005.



## BOARD OF DIRECTORS



**CHAN HOCK LEONG**  
Independent Director

Mr Chan Hock Leong is our Independent Director and was appointed to our Board on 11 May 2017. Mr Chan is currently a senior partner and head of audit and assurance of Mazars LLP Singapore and APAC regional leader of audit and assurance of Mazars. Prior to joining Mazars LLP Singapore in November 2011, Mr Chan was an audit partner at BDO Singapore between 2007 and 2011. Mr Chan is a member of the Institute of Singapore Chartered Accountants ("ISCA") and a fellow of the Association of Chartered Certified Accountants ("ACCA"). He is a member of the Complaints and Disciplinary Panel of ISCA and a member of the ACCA Singapore Network Panel from 2016 to 2020.



**ELAINE BEH PUR-LIN**  
Independent Director

Ms Elaine Beh Pur-Lin is our Independent Director and was appointed to our Board on 11 May 2017. Ms Beh is currently a partner of Virtus Law LLP, a law firm in Singapore and her principal areas of practice are in capital markets and mergers and acquisitions. Ms Beh graduated with a Bachelor of Laws degree (Honours) from the National University of Singapore in 1989. She is an advocate and solicitor of the Supreme Court of Singapore. Ms Beh is a member of the Singapore Institute of Directors, The Law Society of Singapore and the Singapore Academy of Law.

## KEY MANAGEMENT



### TOH CHIEW KHIM, PHYLLYST

**Chief Financial Officer**

Ms Toh Chiew Khim, Phyllyst joined our Group on 1 September 2016 and is our Chief Financial Officer. She oversees the full spectrum of the Group's strategic financial planning and analysis,

accounting, taxation, corporate finance and treasury matters, ensuring compliance with financial regulations and reporting standards.

Before joining our Group, Ms Toh served for 13 years in Tiong Woon Corporation Holding Ltd ("TWC"), a leading integrated

heavy lift specialist and service provider listed on the Mainboard of the SGX-ST. She was appointed as Group Financial Controller of TWC in 2003, and was promoted to Chief Financial Officer in 2008. Prior to that, she was the Group Financial Controller of Cityneon International Pte Ltd from 1998 to 2003. Ms Toh had also previously worked in Informatics Holdings Ltd for 11 years where she held various key accounting appointments.

Ms Toh graduated with a Diploma in Business Studies from Ngee Ann Polytechnic in August 1985 and subsequently attained Fellowship of the Association of Chartered Certified Accountants (FCCA). She is a Fellow of the Institute of Singapore Chartered Accountants (ISCA).



### CHUA CHWEE TIAN, ANDREW

**General Manager**

**(Tender and Business Development)**

Mr Chua Chwee Tian Andrew joined our Group on 3 August 2014 as a Senior Project Manager. He was promoted to General Manager for the Engineering, Procurement

and Construction ("EPC") Department on 31 December 2014. He was then assisting our Directors in managing several projects teams in the EPC business segment.

In April 2017, Mr Chua became our Group's Business Development Manager. He supported the Directors in spearheading our business development activities and overseas expansion activities.

Mr Chua was instrumental in assisting the setting up of our subsidiary company; Sanli Environmental (Myanmar) Co. Ltd. in Yangon, Myanmar in December 2017. He was directly involved in the sales and marketing activities of Sanli Environmental (Myanmar) Co. Ltd. thereafter.

On 1 January 2019, Mr Chua became the General Manager for Tender and Business Development Department. He is assisting Mr Kew in managing the department in the tendering, sales, marketing and business development activities for the Group.

Mr Chua has 30 years of experience in project management and business development in environmental engineering and pump business. Prior to joining the Group, he spent 11 years with Mectron Engineering Pte Ltd as a project manager where he oversaw their project management of odour control and pump business. He also served 2 years as their Business Development Manager.

Mr Chua graduated from Ngee Ann Polytechnic in August 1986 with a Diploma in Public Health Engineering and subsequently obtained a Bachelor of Engineering, Environmental Engineering degree from Deakin University in 2001.

## CORPORATE SOCIAL RESPONSIBILITY



Staff from Sanli participated in 2019 Yellow Ribbon Run

### GIVING BACK TO THE COMMUNITY

In addition to pursuing economic growth, our Group also focuses on giving back to the community through corporate social responsibility initiatives.

One such initiative was the 2019 Yellow Ribbon Run, which took place on 15 September 2019. The beneficiary of the run was the Yellow Ribbon Fund, which was established in 2004 with the aim of developing and implementing rehabilitation and reintegration programmes for ex-offenders, as well as providing financial support for families of the incarcerated. Additionally, the run was also held to raise awareness within society of the plight of ex-offenders, as well as to inspire the

community to give former inmates a chance to rebuild their lives after their release.

47 of our staff took part in the initiative, either in the 5-kilometre fun walk or the 10-kilometre competitive run. We are hopeful that our contribution will help to provide support for ex-offenders and current inmates, as well as their families.

As a Group, we will continue to seek opportunities to contribute and foster a corporate culture that cares about giving back to the community.

## CORPORATE INFORMATION

### BOARD OF DIRECTORS

**Ng Lip Chi, Lawrence**  
(Non-Executive Chairman And Independent Director)

**Chua Teck Huat**  
(Chief Executive Officer)

**Sim Hock Heng**  
(Executive Director)

**Kew Boon Kee**  
(Executive Director)

**Lee Tien Chiat**  
(Executive Director)

**Chan Hock Leong**  
(Independent Director)

**Elaine Beh Pur-Lin**  
(Independent Director)

### AUDIT COMMITTEE

**Chan Hock Leong**  
(Chairman)

**Ng Lip Chi, Lawrence**  
**Elaine Beh Pur-Lin**

### NOMINATING COMMITTEE

**Elaine Beh Pur-Lin**  
(Chairman)

**Ng Lip Chi, Lawrence**  
**Chan Hock Leong**  
**Sim Hock Heng**

### REMUNERATION COMMITTEE

**Ng Lip Chi, Lawrence**  
(Chairman)

**Chan Hock Leong**  
**Elaine Beh Pur-Lin**

### COMPANY SECRETARY

**Goh Siew Geok ACS, ACIS**

### REGISTERED OFFICE

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### SHARE REGISTRAR

**Boardroom Corporate & Advisory Services Pte. Ltd.**  
50 Raffles Place  
#32-01 Singapore Land Tower  
Singapore 048623

### AUDITORS

**Deloitte & Touche LLP**  
6 Shenton Way #33-00  
OUE Downtown 2  
Singapore 068809  
Partner-In-Charge:  
Aw Xin-Pei  
(Appointed since financial year ended 31 March 2020)

### PRINCIPAL BANKERS

**United Overseas Bank Limited**  
80 Raffles Place  
UOB Plaza  
Singapore 048624

**Standard Chartered Bank (Singapore) Limited**  
8 Marina Boulevard Level 29  
Marina Bay Financial Centre (Tower 1)  
Singapore 018981

**Maybank Singapore Limited**  
200 Jalan Sultan #01-02  
Textile Centre  
Singapore 199018

### SPONSOR

**SAC Capital Private Limited**  
1 Robinson Road  
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Singapore 048542



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## CORPORATE GOVERNANCE REPORT

The Board of Directors (the “**Board**” or “**Directors**”) of Sanli Environmental Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) recognises the importance of corporate governance to shareholders and is committed to ensuring the practices recommended in the Code of Corporate Governance 2018 (the “**Code**”) and the accompanying practice guidance as published by the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) on 7 February 2020 (the “**Guide**”) are practiced throughout the Group. The Company believes that good corporate governance provides the framework for an ethical and accountable corporate environment, which will maximise long-term shareholders’ value and protect the interests of shareholders.

For the financial year ended 31 March 2020 (“**FY2020**”), the Company has adhered to the principles and guidelines set out in the Code and the Guide, where applicable, and will continue to review its practices on an on-going basis. Appropriate explanations have been provided in the relevant sections below where there are deviations from the Code and/or the Guide.

The Company will also continue to enhance its corporate governance practices appropriate to the conduct and growth of its business and to review such practices from time to time to ensure compliance with the Listing Manual Section B: Rules of Catalyst (the “**Catalist Rules**”) of the SGX-ST.

### BOARD MATTERS

#### The Board’s Conduct of Affairs

*Principle 1 : The company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the company.*

The Board is entrusted to lead and oversee the Group, with the fundamental principle to act in the best interests of the Group. In addition to its statutory duties, the Board’s principle functions include:

- (a) To set and direct strategic plans and performance objectives of the Group, to provide entrepreneurial leadership, set strategic objectives, and ensure that the necessary financial and human resources are in place for the Company to meet its objectives;
- (b) To establish a framework of prudent and effective controls which enables risks to be assessed and managed, including safeguarding of shareholders’ interests and the Company’s assets;
- (c) To review Management performance and advice on the Group’s policies and procedures;
- (d) To conduct periodic reviews of the Group’s internal controls, financial performance, compliance practices and resource allocation;
- (e) To review and approve financial plans and financial results, annual budgets, proposals for acquisitions, investments and disposals, material borrowings, fund raising exercises and announcements;
- (f) To identify the key stakeholder groups and recognise that their perceptions affect the Company’s reputation;
- (g) To set the Group’s values and standards, including ethical standards, and ensure that obligations to shareholders and other stakeholders are understood and met;
- (h) To consider sustainability issues, such as environmental and social factors, as part of its strategic formulation;
- (i) To review performance and succession planning of the key management personnel; and
- (j) To monitor and ensure the Group’s compliance with good corporate governance practices.

Each Director is expected, during the course of carrying out his/her duties, to exercise due diligence and independent judgement in dealing with the business affairs of the Group and are obliged to act in good faith and to make decisions objectively at all times, as fiduciaries, in the best interest of the Group.

## CORPORATE GOVERNANCE REPORT

To facilitate effective management, the Audit Committee (the “**AC**”), Remuneration Committee (the “**RC**”) and Nominating Committee (the “**NC**”) (collectively, the “**Board Committees**”), have been constituted to assist the Board in the discharge of specific responsibilities. The Board Committees function within clearly defined terms of references and operating procedures, which are reviewed on a regular basis. The role and function of each committee is described in subsequent sections in this report. The compositions of the Board Committees are as follows:-

	AC	NC	RC
<b>CHAIRMAN</b>	Chan Hock Leong	Elaine Beh Pur-Lin	Ng Lip Chi, Lawrence
<b>MEMBER</b>	Ng Lip Chi, Lawrence	Ng Lip Chi, Lawrence	Chan Hock Leong
<b>MEMBER</b>	Elaine Beh Pur-Lin	Chan Hock Leong	Elaine Beh Pur-Lin
<b>MEMBER</b>	–	Sim Hock Heng	–

The schedule of all Board and Board Committees meetings and the Annual General Meeting (the “**AGM**”) for each financial year is planned well in advance, in consultation with the Directors. The Board will meet at least two (2) times a year at regular intervals and on an ad-hoc basis where warranted by the circumstances. The constitution of the Company (the “**Constitution**”) also provides for telephonic and video-conference meetings. In addition to holding meetings, important matters regarding the Group are also put to the Board for decision making by way of written resolutions.

The number of Board and Board Committees meetings held during FY2020 and the attendance of each Director, where relevant, are as follows:-

	BOARD		AC		NC		RC	
	NUMBER OF MEETINGS		NUMBER OF MEETINGS		NUMBER OF MEETINGS		NUMBER OF MEETINGS	
NAME OF DIRECTOR	HELD	ATTENDED	HELD	ATTENDED	HELD	ATTENDED	HELD	ATTENDED
Chua Teck Huat <sup>*1</sup>	2	NA	NA	NA	NA	NA	NA	NA
Sim Hock Heng <sup>*2</sup>	2	2	NA	NA	1	1	NA	NA
Kew Boon Kee	2	2	NA	NA	NA	NA	NA	NA
Lee Tien Chiat	2	2	NA	NA	NA	NA	NA	NA
Ng Lip Chi, Lawrence	2	2	2	2	1	1	1	1
Chan Hock Leong	2	2	2	2	1	1	1	1
Elaine Beh Pur-Lin	2	2	2	2	1	1	1	1

**Note:**

<sup>\*1</sup> Mr Chua Teck Huat was appointed as Deputy Chief Executive Officer and Executive Director of the Company on 15 November 2019 (post-board meetings held on 23 May 2019 and 13 November 2019) and was re-designated as Chief Executive Officer and Executive Director on 1 May 2020.

<sup>\*2</sup> Mr Sim Hock Heng was re-designated as Executive Director on 1 May 2020.

NA: Not Applicable

## CORPORATE GOVERNANCE REPORT

The Board has adopted a set of guidelines on matters that require its approval which include, amongst others, the following:

- Material acquisitions or disposals of assets, major funding proposals and investments; Corporate strategy and business plans;
- Share issuance, recommending dividend payments and other returns to shareholders;
- Annual budgets, financial results announcements, annual report and audited financial statements for each financial year;
- The appointment and remuneration packages of the directors and key management personnel;
- Approving appointments to the board and the various board committees; and
- Material interested person transactions, matters involving conflict of interest for a substantial shareholder or a Director and assuming responsibility for corporate governance practices.

While matters relating to the Group's strategies and policies require the Board's direction and approval, the Management is responsible for the day-to-day operations and administration of the Group.

All newly appointed Directors will undergo an orientation programme and be briefed by the Management on the Group's business, operations, structure and governance practices relating to, inter alia, disclosure of interests in the Company's securities, prohibition on dealings in the Company's securities and restrictions on the disclosure of price-sensitive information. For a first-time Director who does not have prior experience as a director of a public listed company in Singapore, the Company will arrange for the first-time Director to attend the SGX-ST's prescribed training courses organised by the Singapore Institute of Directors ("**SID**") on the roles and responsibilities of a director of a listed company and other training institutions in areas such as management accounting, legal and industry-specific knowledge, where appropriate. To obtain a better understanding of the Group's business, the first-time Director will have the opportunity to visit the Group's operational offices and facilities and meet with the key management personnel(s).

The Company is responsible for arranging and funding briefings, updates, seminars and training courses for the Directors. The Board is updated, from time to time, when new laws or regulations affecting the Group are introduced. The professional advisors to the Company will conduct briefings and presentations to update the Board in areas such as corporate governance, changes to laws and regulations pertaining to the Group's business and operations, and changes in financial reporting standards. The Directors are also encouraged to attend seminars and training courses that will assist them in executing their obligations and responsibilities as Directors of the Company.

During FY2020, the Directors were provided with briefings and updates on: (i) the developments in financial reporting and governance standards by the external auditors; and (ii) changes in the relevant laws and regulations pertaining to the Group's business and changing commercial risks and business conditions of the Group by the Management during the Board and Board Committee meetings. The Executive Directors have attended training courses organised by SID in relation to Director Financial Reporting Fundamentals and Stakeholder Engagement.

All Board Committees are constituted with clear terms of references to assist the Board in discharging its functions and responsibilities. Formal letters of appointment and terms of references are furnished to every newly-appointed director upon their appointment, explaining, among other matters, their roles, obligations, duties and responsibilities as a member of the Board.



# CORPORATE GOVERNANCE REPORT

## Board Composition and Guidance

*Principle 2 : The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the company.*

The Board comprises seven (7) Directors of whom three (3) are Non-Executive and Independent Directors. The Directors as at the date of this report are:-

NAME OF DIRECTOR	DESIGNATION
Ng Lip Chi, Lawrence	Non-Executive Chairman and Independent Director
Chua Teck Huat <sup>*1</sup>	Chief Executive Officer (“ <b>CEO</b> ”) and Executive Director
Sim Hock Heng <sup>*2</sup>	Executive Director
Kew Boon Kee	Executive Director
Lee Tien Chiat	Executive Director
Chan Hock Leong	Independent Director
Elaine Beh Pur-Lin	Independent Director

### Note:

<sup>\*1</sup> Mr Chua Teck Huat was appointed as Executive Director and Deputy Chief Executive Officer of the Company on 15 November 2019 and re-designated as Chief Executive Officer on 1 May 2020.

<sup>\*2</sup> Mr Sim Hock Heng was re-designated as Executive Director on 1 May 2020.

The Non-Executive and Independent Directors have make up at least one third (1/3) of the Board, and the Non-Executive Chairman and the CEO are not the same person. This enables the Board to exercise independent and objective judgement on corporate affairs and no individual or small group of individuals dominate the decisions of the Board.

Under Provision 2.3 of the Code, it provides that Non-Executive Directors shall make up a majority of the Board. The Board is of the view that the current Board size and composition are appropriate for the time being for the facilitation of effective decision making, taking into account the nature and scope of the Company’s operations. The Board will meanwhile deliberate whether the Company will make any changes to the Board’s composition. The Company ensures that the Company’s current board composition is consistent with the intent of Principle 2.

The NC, reviews the independence of each Director on an annual basis, in accordance with the Guide as set out in the Code and the Catalist Rules. Each of the Independent Directors has completed a declaration form and confirmed his/her independence. The Independent Directors being, Mr Ng Lip Chi, Lawrence, Mr Chan Hock Leong, and Ms Elaine Beh Pur-Lin, have confirmed that they do not have any relationship with the Company, its related corporations, its substantial shareholders or its officers with shareholdings of 5% or more in the voting shares of the Company that could interfere or be reasonably perceived to interfere, with the exercise of their independent business judgement with a view to the best interests of the Company.

In relation to the assessment of the independence of the Directors, specific tests of Directors’ independence have been hardcoded into the Catalist Rules to clarify that these circumstances which deemed Directors not to be independent should be applied without any exceptions. Under Rules 406(3)(d)(i) and 406(3)(d)(ii) of the Catalist Rules which took effect on 1 January 2019, it stipulates that a Director will not be considered as independent if he is employed by the issuer or any of its related corporations for the current or any of the past three (3) financial years; or if he has an immediate family member who is employed or has been employed by the issuer or any of its related corporation for the current or any of the past three (3) financial years, and whose remuneration is determined by the remuneration committee of the issuer. In this regard, the Independent Directors have confirmed that they and their respective associates do not have any employment relationships with the Company or any of its related corporations for the current or any of the past three (3) financial years.

## CORPORATE GOVERNANCE REPORT

The NC has reviewed and confirmed the independence of the Independent Directors. The Board has determined, taking into account the views of the NC, that Mr Ng Lip Chi, Lawrence, Mr Chan Hock Leong and Ms Elaine Beh Pur-Lin are independent in character and judgement and that there are no relationships or circumstances which are likely to affect, or could appear to affect, the judgement of each of the aforesaid directors. There are no Directors who are deemed independent by the Board, notwithstanding the existence of a relationship as stated in the Code, that would otherwise deem him/her not to be independent.

As at the date of this report, none of the Independent Directors have served on the Board beyond nine (9) years since the date of his/her first appointment. Nonetheless, the independence of any Directors who has served on the Board beyond nine (9) years since the date of his/her first appointment will be subject to particularly rigorous review.

The NC is responsible for examining the size and composition of the Board and Board Committees. Having considered the scope and nature of the Group's operations, the requirements of the business and the need to avoid undue disruptions from changes to the composition of the Board and Board Committees, the Board, in concurrence with the NC, believes that its current board size and the existing composition of the Board Committees can effectively serve the Group. The current Board size and composition provides sufficient diversity of skills, experience and knowledge of the Company without interfering with efficient decision-making.

The Board's policy in identifying director nominees is primarily to have an appropriate mix of members with complementary skills, core competencies and experience for the Group, regardless of gender. The Company is in the midst of formalising its Board Diversity Policy, which will set out its policy for promoting diversity on the Board.

The Board comprises directors who as a group, provide an appropriate balance and diversity of skills, experience and knowledge of the Company. The Board also provides core competencies such as accounting and finance, legal expertise, business and management experience, industry knowledge, strategic planning experience, customer-based experience and knowledge and this enables Management to benefit from a diverse and objective external perspective on issues raised before the Board.

The Board, with the assistance of the NC, has established and adopted an assessment system and evaluation forms to assess annually the existing attributes and core competencies of the Board, and whether are they complementary to enhance the efficacy of the Board as a whole. The Directors also evaluate, at least once a year, the skill sets that the other Directors possess, with a view to understand the range of expertise that is lacking by the Board.

The NC will compile the feedbacks from the forms and discuss the results of these exercises and consider its recommendations to the Board to maintain or further enhance its balance and diversity.

The Independent Directors, who are non-executive directors, are kept well informed of the Group's business and be knowledgeable about the industry the Group operates in. The Non-Executive Directors constructively challenge and help develop proposals on strategy, and review the performance of the Management in meeting agreed goals and objectives and monitor the reporting of performance.

To ensure that the Independent Directors are well supported by accurate, complete and timely information, they have unrestricted access to the Management at all times in carrying out its duties, and will be provided sufficient time and resources to discharge their oversight functions effectively. The Management provides the Board with adequate and timely information on an on-going basis including Board papers and related materials, and updates on initiatives and developments for the Group's business whenever possible. The Independent Directors can also request for further briefings or information on any aspect of the Group's business or operations from the Management. Directors have separate and independent access to the Company Secretary. The Company Secretary or his/her representatives attend all Board meetings and Board Committees meetings to ensure that Board procedures are followed and that applicable rules and regulations, and all governance matters are complied with. The appointment and removal of the Company Secretary is a matter for the Board as a whole.

The Independent Directors met and discussed with the external and internal auditors post-FY2020, in the absence of the Executive Directors and key management personnel. To facilitate a more effective check on Management, the Independent Directors may meet, where necessary, without the presence of the Executive Directors and the Management.

# CORPORATE GOVERNANCE REPORT

## **Chairman and Chief Executive Officer**

*Principle 3 : There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.*

The Non-Executive Chairman and Independent Director of the Board is Mr Ng Lip Chi, Lawrence and the CEO of the Company is Mr Chua Teck Huat.

The roles of the Non-Executive Chairman and CEO are separated to ensure a clear division of their responsibilities, increased accountability and greater capacity of the Board for independent decision making. The Non-Executive Chairman is not related to the CEO.

The Non-Executive Chairman oversees the business of the Board. He leads the Board discussions and ensures that Board meetings are convened when necessary. He sets the Board meeting agenda in consultation with the CEO and the Company Secretary, and ensures sufficient allocation of time for thorough discussions. He ensures that the Directors receive complete adequate and timely information and encourages constructive communications between the Board and key management personnel to facilitate efficient decision making. The Non-Executive Chairman also promotes an open concept culture and debate among the Board members, ensuring effective communication with shareholders. He also facilitates the effective contribution of the non-executive directors in particular, as well as promoting high standards of corporate governance of the Group.

The CEO takes a leading role in developing the business of the Group and manages the day-to-day operations with the assistance of the Executive Directors and key management personnel. He also oversees the execution of the Group's business and corporate strategy decisions made by the Board.

The Company has not appointed a Lead Independent Director as the Chairman and the CEO is not the same person. The independent directors are available to shareholders where they have concerns and for which contact through the normal channels of the CEO or the Chief Financial Officer has failed to resolve or is inappropriate.

## **Board Membership**

*Principle 4 : The Board has a formal and transparent process for the appointment and re-appointment of directors, taking into account the need for progressive renewal of the Board.*

The NC consists of three (3) Independent Directors and one (1) Executive Director. Accordingly, majority of the NC, including the NC Chairman is independent. The NC meet at least once every year. The members of the NC as at the date of this report are:-

Elaine Beh Pur-Lin	(Chairman)
Ng Lip Chi, Lawrence	(Member)
Chan Hock Leong	(Member)
Sim Hock Heng	(Member)

The NC is guided by the key terms of reference as follows:

- To make recommendations to the Board on the appointment of directors, including making recommendations on the composition of the Board and assessing the balance between executive and non-executive Directors appointed to the Board;
- To regularly review the Board structure, size and composition and make recommendations to the Board with regard to any adjustments that are deemed necessary;
- To determine the process for search, nomination, selection and appointment of new board members (including alternate directors, if appropriate) and be responsible for assessing nominees or candidates for appointment or election to the Board, determining whether or not such nominee has the requisite qualifications and whether or not he/she is independent;
- To be responsible for succession planning as and when the circumstance arises, in particular for the Chairman and the CEO;

## CORPORATE GOVERNANCE REPORT

- To determine, on an annual basis and when circumstances require, if a Director is independent. If the NC considers that a Director who has one or more of the relationships mentioned under the Code and the Catalist Rules, including a Director who has served on the Board beyond nine (9) years from the date of his/her first appointment, as independent, it shall provide its views to the Board for the Board's consideration. The NC may at its discretion consider that a Director is not independent even if he/she has no business or, other relationships with the Company, its related corporations, its substantial shareholders or its officers;
- To recommend Directors who are retiring by rotation to be put forward for re-election. All Directors are required to submit themselves for re-appointment and re-election at regular intervals and at least every three (3) years;
- To review annually whether or not a Director is able to and has been adequately carrying out his/her duties as a Director of the Company, particularly when he/she has multiple board representations and other principal commitments;
- To recommend the process and criteria for assessing the effectiveness of the Board as a whole and its Board Committees and for assessing the contribution and commitment of the Chairman and each individual Director to the effectiveness of the Board and assist to implement these assessments;
- To review induction and training needs of Directors including professional development programs;
- To be responsible for the progressive renewal of the Board and each Director's competencies, commitment, contribution and performance (e.g. attendance, preparedness, participation and candour);
- To review and approve any new employment of persons related to the Directors and/or substantial shareholders and the proposed terms of their employment;
- To make recommendations to the Board concerning suitable candidates for the role of lead independent director (if required); and
- To ensure that, upon appointment to the Board, all newly-appointed directors receive a formal letter of appointment setting out clearly what is expected of them in terms of time commitment, committee service and involvement outside of board meetings.

Each member of the NC shall abstain from voting on any resolutions and making any recommendations and/or participating in any deliberations of the NC in respect of the assessment of his/her own performance or re-nomination as director.

The NC has reviewed the independence of each Independent Director and is of the view that Ms Elaine Beh Pur-Lin, Mr Ng Lip Chi, Lawrence and Mr Chan Hock Leong are independent as defined in the Code and the Catalist Rules and are able to exercise judgement on the corporate affairs of the Group independently of the Management.

The Board has not capped the maximum number of listed company board representations each Director may hold as the NC is of the view that the Directors are able to and have adequately carried out their duties as Directors of the Company.

The Board is of the view that at present, it would not be meaningful to define the maximum number of listed company directorships which any director may hold and would review the matter on a case-by-case basis, taking into account the ability and performance of each Director in his/her performance and discharge of duties and responsibilities.

The NC also believes that it is for each Director to assess his/her own capacity and ability to undertake other obligations or commitments together with serving on the Board effectively. The NC does not wish to omit from considering outstanding individuals who, despite the demands on their time, have the capacity to participate and contribute as members of the Board. The NC, with the concurrence of the Board, is satisfied that sufficient time and attention to the affairs of the Company have been given by those Directors who have multiple board representations.



## CORPORATE GOVERNANCE REPORT

The Board provides for appointment of alternate director only in exceptional cases such as when a director has a medical emergency. The Board will take into consideration the same criteria for selection of directors such as his/her qualifications, competencies, and independence. Currently, the Company does not have alternate directors.

The NC is responsible for identifying candidates and reviewing all nominations for the appointments of new directors.

When an existing director chooses to retire or the need for a new director arises, either to replace a retiring director or to enhance the Board's strength, the NC, in consultation with the Board, evaluates and determines the selection criteria so as to identify candidates with the appropriate expertise and experience for the appointment as new director. The selection criterion includes integrity, diversity of competencies, expertise, industry experience and financial literacy. The NC seeks potential candidates widely and beyond directors / management recommendations and is empowered to engage external parties, such as professional search firms, to undertake research on or assessment of candidates as it deems necessary.

The NC then meets with the shortlisted potential candidates with the appropriate profile to assess suitability and to ensure that the candidates are aware of the expectation and the level of commitment required, before nominating the most suitable candidate to the Board for approval and appointment as director.

The role of the NC also includes the responsibility of reviewing the re-nomination of directors who retire by rotation, taking into consideration the directors' integrity, independence mindedness, contribution and performance (such as attendance, participation, preparedness and candour) and any other factors as may be determined by the NC.

Pursuant to Regulation 108 of the Company's Constitution, at least one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to one-third) shall retire from office by rotation at each AGM. All Directors shall retire from office once in every three years.

In accordance with Regulation 109 of the Company's Constitution, the Directors to retire in every year shall be those subject to retirement by rotation based on who have been longest in office since their last re-election or appointment. For Directors who were appointed or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot. Regulation 110 of the Company's Constitution provides that a retiring Director shall be eligible for re-election.

Regulation 118 of the Company's Constitution further provides that, the Company may, by Ordinary Resolution, appoint any person to be a Director either to fill a casual vacancy or as an additional Director. Any Director so appointed shall only hold office until the next AGM of the Company and thereafter be eligible for re-election at the AGM, but shall not be taken into account in determining the number of Directors who are to retire by rotation at such meeting.

Pursuant to the Company's Constitution, the NC has recommended three (3) Directors, namely Mr Ng Lip Chi, Lawrence (Non-Executive Chairman and Independent Director), Mr Chan Hock Leong (Independent Director) and Mr Chua Tech Huat (CEO and Executive Director) to retire as directors of the Company by rotation at the forthcoming AGM. Ms Elaine Beh Pur-Lin had indicated to the Company that she will not be seeking re-election at the forthcoming AGM. Accordingly, she will retire as a Director after the conclusion of the AGM.

Aside from Ms Elaine Beh Pur-Lin, the other proposed directors, being eligible, have offered themselves for re-election. Upon re-election, they will remain as directors of the Company.

The key information of the Directors, including their profiles, academic and professional qualifications are set out under the section titled "Board of Directors" of this Annual Report.

The shareholdings of the individual Directors of the Company are set out on page 43 of this Annual Report. None of the Directors hold shares in the subsidiaries of the Company.

## CORPORATE GOVERNANCE REPORT

Details of the appointment of the Company's current directors including date of initial appointment, directorship in other listed companies, both current and for the preceding three (3) years and other principal commitments:-

NAME OF DIRECTOR & DESIGNATION	AGE	DATE OF INITIAL APPOINTMENT	DATE OF LAST RE-APPOINTMENT	PRESENT DIRECTORSHIP IN OTHER LISTED COMPANIES	PAST DIRECTORSHIPS IN OTHER LISTED COMPANIES OVER THE PRECEDING THREE (3) YEARS	OTHER PRINCIPAL COMMITMENTS
Ng Lip Chi, Lawrence (Non-Executive Chairman and Independent Director)	49	11 May 2017	28 July 2017	UG Healthcare Corporation Limited	Lifebrandz Ltd.	<u>Present:</u> 1. NLC Advisory Pte. Ltd. (Executive Director)  <u>Past:</u> NIL
Chua Teck Huat (CEO)	62	15 November 2019	N/A	NIL	NIL	NIL
Sim Hock Heng (Executive Director)	49	27 February 2017	26 July 2019	NIL	NIL	NIL
Kew Boon Kee (Executive Director)	50	27 February 2017	27 July 2018	NIL	NIL	NIL
Lee Tien Chiat (Executive Director)	48	27 February 2017	26 July 2019	NIL	NIL	NIL
Elaine Beh Pur-Lin (Independent Director)	53	11 May 2017	28 July 2017	Acromec Limited	NIL	<u>Present:</u> Virtus Law LLP (Partner)  <u>Past:</u> NIL
Chan Hock Leong (Independent Director)	49	11 May 2017	28 July 2017	NIL	NIL	<u>Present:</u> 1. Mazars LLP (Senior Partner) 2. Harmony Partners Investment Limited (Alternate director)  <u>Past:</u> NIL

## CORPORATE GOVERNANCE REPORT

### ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Mr Ng Lip Chi, Lawrence, Mr Chan Hock Leong and Mr Chua Teck Huat are the Directors seeking re-election at the forthcoming AGM of the Company to be convened on 25 September 2020 (collectively, the “**Retiring Directors**” and each a “**Retiring Director**”).

Pursuant to Rule 720(5) of the Catalist Rules, the information relating to the Retiring Directors in accordance with Appendix 7F of the Catalist Rules is set out below and to be read in conjunction with their respective profiles under the section entitled “Board of Directors” of this Annual Report:

	MR NG LIP CHI, LAWRENCE	MR CHAN HOCK LEONG	MR CHUA TECK HUAT
Date of Appointment	11 May 2017	11 May 2017	15 November 2019
Date of last re-appointment (if applicable)	28 July 2017	28 July 2017	N/A
Age	49	49	62
Country of principal residence	Singapore	Singapore	Singapore
The Board’s comments on this appointment (including rationale, selection criteria, and the search and nomination process)	Mr Ng Lip Chi, Lawrence (“ <b>Mr Ng</b> ”) has continued to discharge his duties as Independent Director well and to contribute positively to the Company.	Mr Chan Hock Leong (“ <b>Mr Chan</b> ”) has continued to discharge his duties as Independent Director well and to contribute positively to the Company.	The Board of Directors of the Company has considered, among others, the recommendation of the NC and has reviewed and considered the past contribution and suitability of Mr Chua Teck Huat (“ <b>Mr Chua</b> ”) for re-appointment as Chief Executive Officer of the Company. The Board has assessed and is of the view that Mr Chua possesses the experience, expertise, knowledge and skills to continue contributing towards the existing businesses of the Group.
Whether appointment is executive, and if so, the area of responsibility	Non-Executive Director	Non-Executive Director	CEO and Executive Director  Responsible for setting the strategic direction and the overall performance and development of the Group.
Job title (e.g. Lead ID, AC Chairman, AC Member etc.)	Non-Executive Chairman and Independent Director  Chairman of the RC, a member of the NC and the AC.	Independent Director  Chairman of the AC, a member of the NC and the RC.	Chief Executive Officer

## CORPORATE GOVERNANCE REPORT

	MR NG LIP CHI, LAWRENCE	MR CHAN HOCK LEONG	MR CHUA TECK HUAT
Professional qualifications	Chartered Financial Analyst, Bachelor of Business Administration degree from the National University of Singapore.	A member of the Institute of Singapore Chartered Accountants and a fellow of the Association of Chartered Certified Accountants.	Professional Engineers Board
Working experience and occupation(s) during the past 10 years	2017 – Present Non-Executive Chairman and Independent Director, Sanli Environmental Limited	May 2017 - Present Independent Director, Sanli Environmental Limited	May 2020 – Present Chief Executive Officer, Sanli Environmental Limited
	2014 – Present Independent Director, UG Healthcare Corporation Limited	November 2011 - Present Senior Partner Head of Audit and Assurance Mazars LLP	November 2019 – April 2020 Deputy Chief Executive Officer, Sanli Environmental Limited
	2014 – Present Executive Director, NLC Advisory Pte. Ltd.	May 2012 - May 2018 Independent Board Member, City Harvest Church	2016 – October 2019 General Manager, Head of Building Construction Division (M&E), International Business Unit, Penta-Ocean Construction Co Ltd
	2018–2019 Lead Independent Director, Lifebrandz Ltd.	November 2007 - November 2011 Audit Partner BDO LLP	2015 – 2016 General Manager, Head of Building Construction Division (M&E), Penta-Ocean Construction Co Ltd
	2015 – 2017 Head – Strategy and Business Development, DC Frontiers Pte. Ltd.		2012 – 2015 Initiated Digital Engineering in POC, Penta-Ocean Construction Co Ltd
	2008 – 2013 General Manager Corporate Finance, RGE Pte. Ltd		2007 – 2012 Deputy General Manager (M&E), Penta-Ocean Construction Co Ltd
Shareholding interest in the listed issuer and its subsidiaries	NIL	<u>The Company:</u> 100,000 ordinary shares  <u>Subsidiaries of the Group:</u> NIL	NIL
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	None	None	None
Conflict of interest (including any competing business)	None	None	None

## CORPORATE GOVERNANCE REPORT

	MR NG LIP CHI, LAWRENCE	MR CHAN HOCK LEONG	MR CHUA TECK HUAT
Undertaking (in the format set out in Appendix 7H) under Rule 720(1) of the Catalist Rules has been submitted to the listed issuer	Yes	Yes	Yes
Other principal commitments including directorships			
• <i>for the last 5 years</i>	Lifebrandz Ltd. (Director)	City Harvest Church (Director)	NIL
• <i>present</i>	UG Healthcare Corporation Limited (Director)	Mazars LLP (Senior Partner)	NIL
	NLC Advisory Pte. Ltd. (Executive Director)	Harmony Partners Investment Limited (Alternate director)	



## CORPORATE GOVERNANCE REPORT

	MR NG LIP CHI, LAWRENCE	MR CHAN HOCK LEONG	MR CHUA TECK HUAT
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Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is "yes", full details must be given.

(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No	No
(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No	No
(c) Whether there is any unsatisfied judgment against him?	No	No	No
(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No	No
(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No	No
(f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No	No

## CORPORATE GOVERNANCE REPORT

	MR NG LIP CHI, LAWRENCE	MR CHAN HOCK LEONG	MR CHUA TECK HUAT
(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No	No
(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No	No
(i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No	No
(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:-			
(i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	No	No	No
(ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No	No	No
(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere, or	No	No	No
(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere; or	No	No	No
in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?			
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No	No

## CORPORATE GOVERNANCE REPORT

	MR NG LIP CHI, LAWRENCE	MR CHAN HOCK LEONG	MR CHUA TECK HUAT
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### Disclosure applicable to the appointment of Director only

Any prior experience as a director of an issuer listed on the SGX-ST?	Not applicable as this disclosure relates to the re-appointment of Director.	Not applicable as this disclosure relates to the re-appointment of Director.	Not applicable as this disclosure relates to the re-appointment of Director.
If yes, please provide details of prior experience.			
If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the SGX-ST.			
Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the SGX-ST (if applicable).			

### Board Performance

*Principle 5 : The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its board committees and individual directors.*

The Board has established processes to be carried out by the NC, for monitoring and evaluating the performance of the Board as a whole and Board Committees, and the effectiveness and contribution of each individual Director annually. The Board has not engaged any external facilitator in conducting the assessment of the Board's and Board Committees' performance and the performance of individual Directors. Where relevant, the NC will consider such engagement.

For the evaluation process, the Directors will complete a board evaluation questionnaire which seeks to assess the effectiveness of the Board and the Board Committees, covering areas including, amongst others, the size and composition of the Board, the Board's access to information, Board processes and accountability annually. The results are then collated by the Company Secretary who will submit to the NC Chairman in the form of a report. The report will be discussed during the NC meeting with a view to implementing recommendations to further enhance the effectiveness of the Board and/or the Board Committees, following which the NC will recommend to the Board key areas for improvement and follow-up actions.

The contribution of each individual Director to the effectiveness of the Board is assessed individually and reviewed by the NC Chairman. The assessment criteria include, inter alia, Director's attendance, commitment of time, candour, participation, knowledge and abilities, teamwork and overall effectiveness. The performance of each Director will be taken into account in his/her re-election or re-appointment.

The NC, having reviewed the overall performance of the Board in terms of its roles and responsibilities and the conduct of its affairs as a whole, and the individual Director's performance, is of the view that the performance of the Board, the Board Committees and each individual Director has been satisfactory for the period under review.

Each member of the NC shall abstain from voting on any resolutions and making any recommendation and/or participating in any deliberations of the NC in respect of the assessment of his/her own performance or re-nomination as director.

## CORPORATE GOVERNANCE REPORT

### REMUNERATION MATTERS

#### Procedures for Developing Remuneration Policies

*Principle 6 : The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director is involved in deciding his or her own remuneration.*

#### Level and Mix of Remuneration

*Principle 7 : The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the company, taking into account the strategic objectives of the company.*

#### Disclosure on Remuneration

*Principle 8 : The company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.*

The RC consists of three (3) Independent Directors. All members of the RC, including the RC Chairman, are independent and non-executive directors. The RC meet at least once every year. The RC comprises the following members:-

Ng Lip Chi, Lawrence	(Chairman)
Chan Hock Leong	(Member)
Elaine Beh Pur-Lin	(Member)

The RC is guided by the key terms of reference as follows:-

- To review and recommend to the Board a general framework of remuneration for the Board and key management personnel, review and make remuneration recommendations, in consultation with the Chairman of the Board the specific remuneration packages for each Director, key management personnel and employees who are immediate family members of a director or CEO;
- To review the design of any long-term incentive schemes for approval by the Board and shareholders and to determine whether the Executive Directors and key management personnel should be eligible for benefits under long-term incentive schemes;
- To review the Company's obligations arising in the event of termination of the Executive Directors' and key management personnel's contracts of service, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous. The RC should aim to be fair and avoid rewarding poor performance;
- To review and determine the link between remuneration paid to the Executive Directors and key management personnel with performance taking into account long-term and short-term incentive schemes;
- To review the ongoing appropriateness and relevance of the remuneration policy in place for each director, key management personnel and employees who are immediate family members of a director or CEO;

## CORPORATE GOVERNANCE REPORT

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- As part of its review, the RC shall ensure that:-
    - (i) all aspects of remuneration including directors' fees, salaries, allowances, bonuses, options, share-based incentives and awards and benefits-in-kind should be considered;
    - (ii) the remuneration of non-executive directors should be appropriate to the level of contribution, taking into account factors such as effort and time spent, and responsibilities of the directors. Non-Executive Directors should not be over-compensated to the extent that their independence may be compromised. The RC should consider implementing schemes to encourage Non-Executive Directors to hold shares in the Company so as to better align the interests of such Non-Executive Directors with the interests of shareholders;
    - (iii) the remuneration package of employees who are immediate family members of a director or the CEO, if any, are in line with the Group's staff remuneration guidelines and commensurate with their respective job scopes and levels of responsibility;
    - (iv) the existing relationships, if any, between the Company and its appointed remuneration consultants will not affect the independence and objectivity of the remuneration consultants; and
    - (v) the costs and benefits of all long-term incentive schemes should be carefully evaluated.

Each member of the RC shall abstain from voting on any resolutions and making any recommendations and/or participating in any deliberations of the RC in respect of his/her own remuneration package.

The RC reviews and recommends to the Board on the specific remuneration packages for the Directors and key management personnel. The recommendations of the RC will be submitted for endorsement by the entire Board. All aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses, share-based incentives and awards, and benefits in kind, will be covered by the RC.

Where applicable, the RC will also review annually the remuneration of employees related to the Directors and substantial shareholders to ensure that their remuneration packages are in line with the staff remuneration guidelines and commensurate with their respective job scopes and level of responsibilities. In the event that a member of the RC is related to the employee under review, he/she will abstain from participating in the review and voting on any resolution in relation to the remuneration package of that employee related to them.

If necessary, the RC will seek expert advice inside and/or outside the Company on the remuneration of the Directors and key management personnel. The RC ensures that in the event of such advice being sought, existing relationships, if any, between the Company and its appointed remuneration consultants will not affect the independence and objectivity of the remuneration consultants. During the financial year, the RC did not require the service of an external remuneration consultant.

The RC reviews the Company's obligations arising in the event of termination of service contracts entered into between the Group and its Executive Directors or key management personnel, as the case may be, to ensure that the service contracts contain fair and reasonable termination clauses which are not overly onerous to the Group.

Annual review of the remuneration packages are carried out by the RC to ensure that the remuneration of the Executive Directors and key management personnel are commensurate with their performance and that of the Company, giving due regard to the financial and commercial health and business needs of the Group. The remuneration of the Executive Directors (together with other key management personnel) is reviewed periodically by the RC and the Board.

The remuneration of the Executive Directors and the key management personnel consists of fixed salary and allowances. The Executive Directors do not receive directors' fees. There is variable compensation which is determined based on the level of achievement of corporate and individual performance objectives. Such performance-related remuneration is structured to align with the interests of shareholders and promote the long-term success of the Company.



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## CORPORATE GOVERNANCE REPORT

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Each of the Executive Directors has entered into a service agreement with the Company and the terms of these service agreements are reviewed by the RC annually. Each of the Service Agreements is valid for an initial period of three (3) years with effect from the date of admission of the Company to Catalist. Upon the expiry of the initial period of three (3) years, the employment of each Executive Director shall be automatically renewed on a year-to-year basis on such terms and conditions as the parties may agree in writing. During the initial period of three (3) years, either party may terminate the Service Agreement at any time by giving to the other party not less than six (6) months' notice in writing, or in lieu of notice, payment of an amount equivalent to six (6) months' salary based on the Executive Directors' last drawn monthly salary.

Each of the Executive Director shall abstain from voting in respect of any resolution or decision to be made by the Board in relation to the terms and renewal of his service agreement.

The Company has yet to implement a long-term incentive scheme.

The Independent Directors do not have service contracts with the Company and are paid directors' fees which are recommended by the Board and the RC, based on factors such as their level of contributions, effort and time spent for serving on the Board and Board Committees, as well as the responsibilities and obligations of the directors. The Company recognises the need to pay competitive fees to attract, motivate and retain directors without being excessive to the extent that their independence might be compromised.

Directors' fees are recommended by the Board for approval by the shareholders at the AGM of the Company.

Having reviewed and considered the variable components of the remuneration of the Executive Directors and the key management personnel, the RC is of the view that there is currently no requirements to implement contractual provisions to allow the Company to reclaim incentive components of their remuneration packages.

In addition, the Executive Directors owe a fiduciary duty to the Company. The Company should be able to avail itself to remedies against the Executive Directors in the event of such breach of fiduciary duties.

The Company's remuneration policy is one that seeks to attract, retain and motivate talent to achieve the Company's business objective and create sustainable value for its stakeholders. The remuneration policy articulates to the Executive Directors and key management personnel the link on total compensation to the achievement of organisational and individual performance objective, and benchmarked against relevant and comparative compensation in the market.

After reviewing the industry practice and analysing the advantages and disadvantages in relation to the disclosure of remuneration of each Director and key management personnel, the Company is of the view that such disclosure would be prejudicial to its business interest given the highly competitive environment. As such, the disclosure of the remuneration of each individual Director and key management personnel is kept in incremental salary bands of S\$250,000.

## CORPORATE GOVERNANCE REPORT

The breakdown for the remuneration of the Directors in FY2020 is as follows:-

NAME OF DIRECTOR	SALARY (%)	BONUS (%)	BENEFITS IN KIND (%)	DIRECTORS' FEES <sup>1</sup> (%)	TOTAL (%)
<b>Between S\$250,001 and S\$500,000</b>					
Sim Hock Heng	74	16	10	–	100
Kew Boon Kee	74	16	10	–	100
Lee Tien Chiat	74	16	10	–	100
<b>Below S\$250,000</b>					
Chua Teck Huat <sup>2</sup>	78	10	12	–	100
Ng Lip Chi, Lawrence	–	–	–	100	100
Elaine Beh Pur-Lin	–	–	–	100	100
Chan Hock Leong	–	–	–	100	100

**Notes:**

<sup>1</sup> The directors' fees are subject to approval by shareholders at the forthcoming AGM.

<sup>2</sup> Mr Chua Teck Huat appointed as Executive Director and Deputy Chief Executive Officer of the Company on 15 November 2019 (post-board meetings held on 23 May 2019 and 13 November 2019) and was re-designated as Chief Executive Officer on 1 May 2020.

The breakdown for the remuneration of the Company's key management personnel (who are not Directors or the CEO) in FY2020 is as follows:

NAME OF KEY MANAGEMENT PERSONNEL	SALARY (%)	BONUS (%)	BENEFITS IN KIND (%)	ALLOWANCE (%)	TOTAL (%)
<b>Below S\$250,000</b>					
Toh Chiew Khim, CFO	75	10	9	6	100
Chua Chwee Tian Andrew, General Manager (Tender & Business Development)	75	10	9	6	100

The total remuneration paid to the two (2) key management personnel in FY2020 was S\$408,421.

There was no employee of the Group whose remuneration exceeds S\$50,000 and who is an immediate family member of any Directors or the CEO during FY2020.

There were no termination, retirement and post-employment benefits that were granted to Directors and key management personnel as of the date of this report.

Currently, the Company has not implemented any share-based compensation scheme or any long-term scheme involving the offer of shares or option in place.

To recognise and reward employees their past contributions and services to the Company, and to align their interest with the Group to encourage greater dedication and loyalty to the Group, 83 employees received Employee Shares from Typha Holdings Pte. Ltd. at pre-IPO stage. Details of the Employee Shares are set out in the Company's Offer Document.

## CORPORATE GOVERNANCE REPORT

The remuneration received by the Executive Directors and key management personnel takes into consideration the Group's performance and his/her individual performance and contribution towards the overall performance of the Group. Their remuneration is made up of fixed and/or variable compensations. The fixed compensation consists of an annual base salary and allowances. The variable compensation is based on the level of achievement of corporate and individual performance objectives.

The terms of their service agreements and remuneration packages are subject to review by the RC. There are no excessive or onerous clauses in these service agreements.

### ACCOUNTABILITY AND AUDIT

#### **Risk Management and Internal Control**

*Principle 9 : The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the company and its shareholders.*

The Board believes that it should conduct itself in a way that delivers maximum sustainable value to its shareholders. Timely releases of the Group's financial results and all significant information to shareholders as well as the prompt fulfilment of statutory requirement are ways to maintain shareholders' confidence and trust in the Board's capability and integrity.

The Board, with the assistance of the professional advisors, ensures compliance with the disclosure requirements under the Catalist Rules. In this regard, the Company demonstrates its accountability to its shareholders by announcing its financial results on a half yearly basis and other information via SGXNET in accordance with the requirements of the SGX-ST, so that the shareholders can have a detailed explanation and balanced assessment of the Group's financial position and prospects.

The Board provides a negative assurance statement to the shareholders in its half-yearly financial statements announcement in accordance with Rule 705(5) of the Catalist Rules. For the financial year under review, the CEO and the CFO have provided assurance to the Board on the integrity of the Group's financial statements. The Board also provides an opinion on the adequacy and effectiveness of the Group's risk management and internal controls (including financial, operational, compliance and information technology controls) systems in place.

In addition, the Company had, pursuant to Rule 720(1) of the Catalist Rules, received undertakings from all its Directors and executive officers that they each shall, in the exercise of their powers and duties as Directors and officers comply with the best of their abilities with the provisions of the Catalist Rules and will also procure the Company to do so.

The Management provides the Board with updates covering operational performance, financial results, marketing and business development and other relevant information on a regular basis as the Board may require from time to time, enabling the Board to make a balanced and informed assessment of the Company's performance, position and prospect.

The Board acknowledges its responsibilities for the governance of risks and the overall internal control framework, but recognises that no cost effective internal control system will preclude all errors and irregularities, as a system is designed to manage rather than eliminate the risk of failure to achieve business objective, and can provide only reasonable and not absolute assurance against material misstatements or loss.

Risk assessment and evaluation has become an essential part of the business planning and monitoring process. Having identified the risks to the achievement of the Group's strategic objectives, each business unit is required to document the mitigating actions in place and/or proposed in respect of each significant risk. Risk awareness and ownership of risk treatments are also continuously fostered across the Group.

The Group currently does not have a Risk Management Committee but the Management regularly reviews the Group's operating and business activities to identify areas of significant business risk as well as appropriate measure to control and mitigate these risks. The Management reviews all the significant control policies and procedures and highlights all significant findings and matters to the Board and the AC for further discussion. The Board is ultimately responsible for the Group's risk management and internal control systems.

On an annual basis, the internal audit function of the Group prepares the internal audit plan taking into consideration the risks identified which is approved by the AC.

## CORPORATE GOVERNANCE REPORT

The Board, with the assistance of independent internal auditors, has reviewed the adequacy and the effectiveness of the Group's risk management and the internal control systems put in place to address key financial, operational, compliance and information technology controls. Any material non-compliance or lapses in internal controls, together with recommendation for improvement are reported to the Board and AC. A copy of the report is also issued to the relevant departments for its follow-up action. The timely and proper implementation of all required corrective, preventive or improvement measures are closely monitored.

The Board with the concurrence of the AC, is of the view that the Company's internal controls (including financial, operational, compliance and information technology controls) and risk management systems were adequate and effective to meet the needs of the Group in their current business environment as of the date of this report.

The bases for the Board's view are as follows:

- Assurance had been received from the CEO and CFO;
- Based on the internal controls established and maintained by the Group, work performed by the internal auditors, and reviews performed by the key management personnel and the Board. The Group has outsourced its internal audit function to BDO LLP which reported on the audit findings and recommendations directly to the AC; and

The Company is gradually placing emphasis on sustainability and would implement appropriate policies and programmes when the opportunities arise.

The Board has obtained assurance from the CEO and CFO in respect of FY2020 that:

- (i) the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances; and
- (ii) the Company's risk management and internal control systems, including financial, operational, compliance and information technology controls, are adequate and effective as at the date of this report.

In addition, BDO LLP, the Group's outsourced internal auditor ("IA"), has briefed the Board on the internal controls matters and highlighted the issues identified and the Management's responses. Also, BDO LLP had joined the AC meeting without the presence of Management, to brief the AC on the internal controls matters and highlighted the issues identified and management responses.

The Company has developed an Enterprise Risk Management ("ERM") Framework to facilitate the Board in identifying and assessing key operational, financial, compliance and information technology risks with reference to the business goals, strategies and critical success factors of the Group. Under the ERM Framework, Management and executives of all levels are expected to constantly review the business operations and the operating environment to identify risk areas and ensure mitigating measures are promptly developed to minimise these risks. The ERM Framework outlines the Group's approach to managing enterprise-wide risks and sets out a systematic process for identifying, evaluating, monitoring, managing and reporting risks faced by the Group. Thus, it allows the Group to address the changes and the challenges in the business environment, reduce uncertainties and facilitates the shareholder value creation process on an ongoing basis.

### **Audit Committee**

*Principle 10 : The Board has an Audit Committee which discharges its duties objectively.*

The AC consists of three (3) Independent Directors. All members of the AC, including the AC Chairman, are independent and non-executive directors. The AC meet at least twice a year. The AC comprises the following members:-

Chan Hock Leong	(Chairman)
Ng Lip Chi, Lawrence	(Member)
Elaine Beh Pur-Lin	(Member)

## CORPORATE GOVERNANCE REPORT

The AC is guided by the following key terms of reference:

- Review, with the internal and external auditors, the audit plans, scope of work, their evaluation of the system of internal accounting controls, their management letter and the Management's response and results of our audits compiled by our internal and external auditors;
- Review the half-yearly and annual financial statements and results announcements before submission to the Board for approval, focusing in particular, on changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit, the going concern statement, compliance with financial reporting standards as well as compliance with the Catalist Rules and other statutory/regulatory requirements;
- To discuss problems and concerns, if any, arising from the interim and final audits, in consultation with the external auditors and the internal auditors where necessary;
- To meet with the external auditors and with the internal auditors, in each case without the presence of Management, at least annually, to discuss any problems and concerns they may have;
- To review annually the scope and results of the external audit and the independence and objectivity of the external auditors. Where the external auditors also supply a substantial volume of non-audit services to the Company, the AC should keep the nature and extent of such services under review, seeking to maintain objectivity;
- To review the assistance and co-operation rendered by Management to the internal and external auditors;
- To review and report to the Board, at least annually, the adequacy and effectiveness of the Company's internal controls including financial, operational, compliance and information technology controls (such review can be carried out internally or with the assistance of any competent third parties);
- To review and discuss with the external auditors, any suspected fraud or irregularity, or suspected infringement of any law, rules or regulations, which has or is likely to have a material impact on the Group's operating results or financial position, and the Management's response;
- To review policy and arrangements by which staff of the Company or of the Group and any other persons may, in confidence, raise concerns about possible improprieties in matters of financial reporting or any other matters relating to fraud and illegal acts and, to conduct an independent investigation of such matters for appropriate follow up action to be taken. The existence of a whistle blowing policy should be disclosed in the Company's Annual Report, and procedures for raising such concerns should be publicly disclosed as appropriate;
- To investigate any matter within its terms of reference, with full access to and co-operation by Management and full discretion to invite any Director or executive officer to attend its meetings, and obtain reasonable resources to enable it to discharge its functions properly;
- To report to the Board its findings from time to time on matters arising and requiring the attention of the AC;
- To review interested person transactions falling within the scope of the Catalist Rules;
- To undertake such other reviews and projects as may be requested by the Board;
- To undertake such other functions and duties as may be required by statutes or the Catalist Rules, and by such amendments made thereto from time to time;
- To recommend to the Board on the proposals to the shareholders on the appointment/re-appointment and removal of the external auditors and approving the remuneration and terms of engagement of the external auditors;
- To approve the hiring, removal, evaluation and compensation of the head of the internal audit function, or accounting / auditing firm or corporation if the internal audit function is outsourced. The internal auditor should have unfettered access to all the Company's documents, records, properties and personnel, including access to the AC;



## CORPORATE GOVERNANCE REPORT

- To receive at least on a half-yearly basis, management accounts of the Group from the Management detailing such information as breakdown of major expenses, revenue earned, aging of receivables, loss allowances, order book, major contracts entered into, all litigations and other matters;
- To review annually the adequacy and effectiveness of the Company's internal audit function; and
- To assess annually the qualifications, expertise and resources of the auditor and the effectiveness of the audit process and monitor the auditor's compliance with relevant ethical and professional guidance on the rotation of the audit partner.

The Board considers that Mr Chan Hock Leong, who has extensive and practical accounting and auditing knowledge and experience, to be well-qualified to be the AC Chairman. The members of the AC, collectively, have relevant expertise or experience in accounting and related financial management and are appropriately qualified to discharge the AC's responsibilities.

The AC has explicit authority to investigate any matter within its terms of reference. It has full access to, and the cooperation of the Management and full discretion to invite any Executive Director or key management personnel to attend its meetings. The AC has adequate resources, including access to external consultants and auditors, to enable it to discharge its responsibilities properly.

The AC met twice with the external auditors and once with the internal auditors respectively, without the presence of the Management in FY2020, to ascertain if there are any material weaknesses or control deficiencies in the Group's financial and operational systems.

The Company has outsourced its internal audit functions to BDO LLP. The IA has unrestricted direct access to all of the Group's documents, records, properties and personnel and reports to the designated members of the AC on the findings and Management's responses on the findings. The AC approves the appointment, removal, evaluation and compensation of the IA. The IA plans its internal audit work and schedules in consultation with, but independent of, the Management. The internal audit plan will be submitted to the AC for approval prior to the commencement of the internal audit work.

The objective of the internal audit function is to provide an independent review of the adequacy and effectiveness of the Group's internal controls and provide reasonable assurance to the AC and the Management that the Group's risk management, controls and governance processes are adequate and effective.

BDO LLP is an international auditing firm and they perform their work based on the BDO Internal Audit Methodology which references to the International Standards for the Professional Practice of Internal Auditing established by the Institute of Internal Auditors ("IIA"). The engagement team assigned comprises 4 members and is headed by a Risk Advisory Partner who has more than 20 years of experience in audit and advisory services, and is a Chartered Accountant of the Institute of Singapore Chartered Accountants and Certified Internal Auditor of the IIA. The Risk Advisory Partner graduated with a Bachelor of Accountancy (Honours) from Nanyang Technological University.

The AC is satisfied that IA is adequately qualified (given, *inter alia*, its adherence to standards set by nationally or internationally recognised professional bodies) and resourced, to discharge its duties effectively. The AC will also review the adequacy and effectiveness of the internal audit function on an annual basis.

Deloitte & Touche LLP is the Company's current external auditors. The AC will review the independence of the external auditors annually. The AC has also reviewed the audit fees paid to the external auditors for FY2020. During the year under review, the fees paid to the external auditors of the Company for audit services amounted to S\$72,000. There was no non-audit services provided by the external auditors of the Company.

The AC is satisfied with the independence and objectivity of the external auditors and has recommended to the Board the nomination of Messrs Deloitte & Touche LLP, for re-appointment as external auditors of the Company at the forthcoming AGM. The external auditors, Deloitte & Touche LLP, have indicated their willingness to accept the re-appointment.

Both the AC and the Board have reviewed the appointment of different auditors for its foreign-incorporated subsidiaries and were satisfied that the appointment of different auditors would not compromise the standard and effectiveness of the audit of the Company.

## CORPORATE GOVERNANCE REPORT

The Company confirms that it is in compliance with the Rules 712 and 715 of the Catalyst Rules in relation to its appointment of the audit firm of the Group. No former partner or director of the Company's existing auditing firm or audit corporation is a member of the AC.

There is a Whistle-Blowing Policy for the Group in place, reviewed and endorsed by the AC, where employees of the Group can raise concerns about improprieties. The Whistle-Blowing Policy serves to encourage and provide a channel to employees to report in good faith and in confidence, without fear of reprisals, concerns about possible improprieties in financial reporting or other matters to the AC Chairman or CFO. The objective for such arrangement is to ensure independent investigation of such matters raised and for appropriate follow-up action to be taken. Details of the whistle-blowing policies and arrangements have been made available to all employees and provides assurance that employees will be protected from reprisal within the limits of the law.

The AC is kept abreast by the Management and the external auditors of any changes to accountings standards, Catalyst Rules, and other regulations which could have an impact on the Group's business and financial statements.

## FINANCIAL REPORTING AND KEY AUDIT MATTER

During the year, the AC had full access to and cooperation from the Management, internal auditors and external auditors.

The AC reviewed the financial statements of the Group and the Company before submitting them to the Board for its approval and the announcement of the financial results. The AC also reviewed and monitored the Group's and the Company's financial condition, internal and external audits, and the effectiveness of the Group's and the Company's system of accounting and internal controls. The following key audit matter was discussed between the external auditors and Management, and reviewed by the AC.

Key audit matter	How the matter was addressed by the AC
<p><u>Revenue recognition of engineering, procurement and construction ("EPC") contracts</u></p> <p>The Group is involved in EPC contracts with customers for which it applies cost-to-cost method, i.e. based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs ("<b>input method</b>") to measure the Group's progress towards complete satisfaction of a performance obligation and recognise revenue over time in accordance with SFRS(I) 15 <i>Revenue from Contract with Customers</i>.</p> <p>Significant judgement is required from management and project teams to estimate the total cost on completion. The uncertainty and subjectivity involved in determining the total cost on completion may result in a significant impact to the revenue recognised during the year. The key source of estimate is disclosed in Note 3 of the Financial Statements.</p> <p>The accounting policy for revenue recognition of EPC contracts is disclosed in Note 2 of the Financial Statements and the amount of revenue recognised based on input method is disclosed in Note 20 of the Financial Statements.</p>	<p>The AC has considered the approach and methodology applied by the Management for revenue recognition of EPC contracts.</p> <p>The AC has also discussed the above with the external auditors and understand that the estimates used by the Management is reasonable for the purpose of revenue recognition using input method.</p> <p>The auditors have included revenue recognition as a key audit matter in the independent auditor's report for FY2020. This is set out on page 47 of this Annual Report.</p>

## CORPORATE GOVERNANCE REPORT

### SHAREHOLDER RIGHTS AND ENGAGEMENT

#### Shareholder Rights and Conduct of General Meetings

*Principle 11 : The company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the company. The company gives shareholders a balanced and understandable assessment of its performance, position and prospects.*

#### Engagement with Shareholders

*Principle 12 : The company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the company.*

### MANAGEMENT STAKEHOLDERS RELATIONSHIPS

#### Engagement with Stakeholders

*Principle 13 : The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the company are served.*

The Company recognises the importance of maintaining transparency and accountability to its shareholders. The Board ensures that all the Company's shareholders are treated equitably and the rights of all investors, including non-controlling shareholders are protected. The Company is committed to providing shareholders with adequate, timely and sufficient information pertaining to changes in the Company's business which could have a material impact on the Company's share price.

Notice of general meetings are issued to shareholders, together with explanatory notes or a circular on items of special business (if necessary), at least 14 days or 21 days, as the case may be, before the scheduled date of such meeting. Whilst there is no limit imposed on the number of proxy votes for nominee companies/relevant intermediaries, the Company's Constitution allows each shareholder to appoint up to two (2) proxies to attend general meetings.

The Company ensures that shareholders have the opportunity to participate effectively in and vote at general meetings of shareholders. The Company conducts poll voting for all resolutions tabled at general meetings. Shareholders will be briefed on the rules, including voting procedures that govern such meeting. The Company will address any queries that the shareholders may have on the procedures.

The Company is committed to corporate governance and transparency by disclosing to its stakeholders, including its shareholders, in a timely, fair and transparent manner.

The Company does not practice selective disclosure and price-sensitive information is publicly released on an immediate basis where required under the Catalist Rules before the Company meets with any investors/analysts. In addition, all shareholders will receive the Company's annual reports together with the notices of AGM, which are also accessible through SGXNET.

All material information on the performance and development of the Group is disclosed in an accurate, timely and comprehensive manner through SGXNET.

When necessary and appropriate, the CEO will meet analysts and fund managers who would like to seek a better understanding of the Group's operations. The CEO also engages with local and foreign investors to solicit feedback from the investment community on a range of strategic and topical issues which should provide valuable insights to the Board on investors' views.

The Company has engaged an investor relations firm, namely Waterbrooks Consultants Pte Ltd, to assist the Company on its investor relations activities.

The Company keeps its website ([www.sanli.com.sg](http://www.sanli.com.sg)) updated and maintains a dedicated investor relations section for shareholders' convenience to access information on the Group. Announcements disclosed through SGXNET are also posted on the Company's website.

When opportunities arise, the CEO conducts media interviews to give its shareholders and the investors' public a profound prospective of the Group's business prospects.

## CORPORATE GOVERNANCE REPORT

The Company does not have a formal dividend policy. The form, frequency and amount of dividends that the Board may recommend or declare in respect of any particular financial year or period will be subject to, inter alia, the Group's level of cash and retained earnings, actual and projected financial performance, projected levels of capital expenditure and expansion plans, working capital requirements and general financing condition, and any restrictions on payment of dividends imposed by the Group's financing arrangements.

Notwithstanding the foregoing, any pay-out of dividends would be clearly communicated to shareholders via announcements released on the SGXNET when the Company discloses its financial results announcement.

For FY2020, the Board has proposed a final one-tier tax exempt dividend of 0.06 Singapore cent per ordinary share, which would constitute 51.2% of net profit after tax attributable to owners of the Company. The proposed dividend is subjected to shareholders' approval at the forthcoming AGM.

The Company's general meetings are the principal forums for dialogue with shareholders. Shareholders are encouraged to attend the general meetings to ensure a high level of accountability and to stay apprised of the Company's strategy and goals. At general meetings, shareholders are given the opportunity to communicate their views and direct questions to the Directors or the Management relating to the resolutions to be passed as well as questions regarding the Company and its operations.

Notice of the general meetings will be published on the Company website as well as SGXNET. If shareholders are unable to attend the general meetings, the Company's Constitution allows all shareholders to appoint up to two (2) proxies to the general meetings and to vote on their behalf through proxy form sent in advance. Voting in absentia and by electronic mail may only be possible following careful study to ensure that integrity of the information and authentication of the identity of shareholders through the web is not compromised. This is also subject to legislative amendment to recognise electronic voting.

All Directors (including the respective chairman of the Board Committees) will be present at all general meetings of shareholders, unless of exigencies. The external auditor is also required to be present to address shareholders' queries about the conduct of audit and the preparation and content of the independent auditor's report.

Every matter requiring shareholders' approval is proposed as a separate resolution. In compliance with Rule 730A(2) of the Catalist Rules, all resolutions tabled at general meetings of shareholders will be put to vote by poll, the procedures of which will be explained by the appointed scrutineer(s) at the general meetings of shareholders. Detailed results of all resolutions put to vote will be announced on the SGXNET after conclusion of the general meeting.

The Company also maintains minutes of the general meetings, which includes the key comments and queries raised by shareholders and the responses from the Board and the Management. Moving forward, the Company will publish its minutes of general meetings of shareholders on its corporate website or SGXNET.

### MATERIAL CONTRACTS

(Rule 1204(8) of the Catalist Rules)

Save for the Service Agreements entered into with the Executive Directors, which are subsisting as at the end of FY2020, there were no material contracts involving the interests of the CEO, each Director or controlling shareholders entered into by the Group which are subsisting as at the end of the financial year or entered into during the financial year.

### INTERESTED PERSON TRANSACTION ("IPT")

(Rule 907 of the Catalist Rules)

The Group has established procedures governing all IPTs to ensure that they are properly documented and reported in a timely manner to the AC and that the transactions are carried out on normal commercial terms and are not prejudicial to the interests of the Company and its minority shareholders.

## CORPORATE GOVERNANCE REPORT

If the Company does enter into an IPT, and a potential conflict of interest arises, the director concerned will abstain from any discussions and will also refrain from exercising any influence over other members of the Board.

The Group does not have a shareholders' mandate for IPTs pursuant to Rule 920(1)(a)(i) of the Catalist Rules. There were no IPT for the year under review.

### DEALING IN SECURITIES

(Rule 1204(19) of the Catalist Rules)

The Company has complied with the best practices pursuant to Rule 1204(19) of the Catalist Rules in relation to dealings in the Company's securities by its Directors and employees. The Company has adopted an internal policy which prohibits the Directors and officers from dealing in the securities of the Company while in possession of price-sensitive information.

The Company, its Directors and officers are also discouraged from dealing in the Company's securities on short term considerations and are prohibited from dealing in the Company's securities during the period beginning one (1) month before the announcement of the Company's half-year and full-year financial statements respectively, and ending on the date of the announcement of the relevant results.

### NON-SPONSOR FEES

(Rule 1204(21) of the Catalist Rules)

SAC Capital Private Limited is the Continuing Sponsor of the Company. There was no non-sponsor fee paid to the Sponsor during FY2020.

### USE OF IPO PROCEEDS

(Rule 1204(22) of the Catalist Rules)

Utilisation of proceeds as at the date of this Annual Report is as follow:-

USE OF PROCEEDS	AMOUNT ALLOCATED (\$\$ MILLION)	AMOUNT UTILISED (\$\$ MILLION)	BALANCE AMOUNT (\$\$ MILLION)
Working capital to expand business operations through securing more projects and projects of a larger scale	5.74	–	5.74
Expansion of business premises	2.92	2.92	–
Investment in business development department	1.06	1.06	–
<b>Total</b>	<b>9.72</b>	<b>3.98</b>	<b>5.74</b>



## DIRECTORS' STATEMENT

The directors present their statement together with the audited consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company for the financial year ended March 31, 2020.

In the opinion of the directors, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company as set out on pages 50 to 98 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at March 31, 2020, and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended, and at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts when they fall due.

### 1 DIRECTORS

The directors of the Company in office at the date of this statement are as follows:

Chua Teck Huat (Appointed on November 15, 2019)  
 Sim Hock Heng  
 Kew Boon Kee  
 Lee Tien Chiat  
 Ng Lip Chi, Lawrence  
 Chan Hock Leong  
 Elaine Beh Pur-Lin

### 2 ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE BENEFITS BY MEANS OF THE ACQUISITION OF SHARES AND DEBENTURES

Neither at the end of the financial year nor at any time during the financial year did there subsist any arrangement whose object is to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures in the Company or any other body corporate.

### 3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The directors of the Company holding office at the end of the financial year had no interests in the share capital and debentures of the Company and related corporations as recorded in the register of directors' shareholdings kept by the Company under Section 164 of the Singapore Companies Act, Chapter 50 except as follows:

NAME OF DIRECTORS AND COMPANY IN WHICH INTERESTS ARE HELD	SHAREHOLDINGS IN WHICH SHAREHOLDINGS REGISTERED DIRECTORS ARE DEEMED TO IN NAME OF DIRECTORS HAVE AN INTEREST			
	AT BEGINNING OF YEAR	AT END OF YEAR	AT BEGINNING OF YEAR	AT END OF YEAR
<u>The Company</u> (Ordinary shares)				
Sim Hock Heng	13,282,675	13,282,675	147,033,846	110,288,509
Kew Boon Kee	13,282,675	13,282,675	147,033,846	110,288,509
Lee Tien Chiat	13,282,675	13,282,675	147,033,846	110,288,509
Chan Hock Leong	100,000	100,000	–	–

The directors' interests in the shares of the Company at April 21, 2020 were the same at March 31, 2020.

## DIRECTORS' STATEMENT

### 4 SHARE OPTIONS

(a) *Options to take up unissued shares*

During the financial year, no options to take up unissued shares of the Company or any corporation in the Group were granted.

(b) *Options exercised*

During the financial year, there were no shares of the Company or any corporation in the Group issued by virtue of the exercise of an option to take up unissued shares.

(c) *Unissued shares under option*

At the end of the financial year, there were no unissued shares of the Company or any corporation in the Group under options.

### 5 AUDIT COMMITTEE

The Audit Committee of the Company, consisting of all independent and non-executive directors, is chaired by Mr Chan Hock Leong, and includes Mr Ng Lip Chi, Lawrence and Ms Elaine Beh Pur-Lin. The Audit Committee has met two times since the last Annual General Meeting ("AGM") and has reviewed the following, where relevant, with the executive directors and external and internal auditors of the Company:

- (a) The audit plans and results of the internal auditors' examination and evaluation of the Group's systems of internal accounting controls;
- (b) The Group's financial and operating results and accounting policies;
- (c) The audit plans of the external auditors;
- (d) The consolidated financial statements of the Group and the financial statements of the Company before their submission to the directors of the Company and external auditor's report on those financial statements;
- (e) The half-yearly and annual announcements as well as the related press releases on the results and financial position of the Company and the Group;
- (f) The co-operation and assistance given by the management to the Group's external auditors; and
- (g) The re-appointment of the external and internal auditors of the Group.

The Audit Committee has full access to and has the co-operation of the management and has been given the resources required for it to discharge its function properly. It also has full discretion to invite any director and executive officer to attend its meetings. The external and internal auditors have unrestricted access to the Audit Committee.

The Audit Committee has recommended to the directors the nomination of Deloitte & Touche LLP for re-appointment as external auditors of the Group at the forthcoming AGM of the Company.

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## DIRECTORS' STATEMENT

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### 6 AUDITORS

The auditors, Deloitte & Touche LLP, have expressed their willingness to accept re-appointment.

ON BEHALF OF THE DIRECTORS

.....  
**Chua Teck Huat**

.....  
**Sim Hock Heng**

August 31, 2020

## INDEPENDENT AUDITOR'S REPORT

To The Members Of Sanli Environmental Limited

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### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

#### Opinion

We have audited the financial statements of Sanli Environmental Limited (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at March 31, 2020, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 50 to 98.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)s") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at March 31, 2020 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and of the changes in equity of the Company for the year ended on that date.

#### Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key Audit Matter

Key audit matter is the matter that, in our professional judgement, was of most significance in our audit of the financial statements of the current year. The matter was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matter.

# INDEPENDENT AUDITOR'S REPORT

To The Members Of Sanli Environmental Limited

KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN THE AUDIT
<p><u>Revenue recognition of engineering, procurement and construction ("EPC") contracts</u></p> <p>The Group is involved in EPC contracts with customers for which it applies cost-to-cost method, i.e. based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs ("input method") to measure the Group's progress towards complete satisfaction of a performance obligation and recognise revenue over time in accordance with SFRS(I) 15 <i>Revenue from Contracts with Customers</i>.</p> <p>Significant judgement is required from management and project teams to estimate the total cost on completion. The uncertainty and subjectivity involved in determining the total cost on completion may result in a significant impact to the revenue recognised during the year. The key source of estimate is disclosed in Note 3.</p> <p>The accounting policy for revenue recognition of EPC contracts is disclosed in Note 2 and the amount of revenue recognised based on input method is disclosed in Note 20.</p>	<p>The following procedures were performed:</p> <ul style="list-style-type: none"> <li>• Obtained an understanding and evaluated the design and implementation of relevant controls to address significant risks associated with revenue recognition, cost recognition and total cost estimation;</li> <li>• Performed substantive tests of details on a sampling basis for the costs incurred during the reporting period and checked that costs incurred were recorded in the correct accounting period;</li> <li>• Obtained the estimated total costs on completion and assessed the reasonableness of the estimates used by management, including on a sampling basis, agreed the estimates to the supporting documents and performed retrospective review;</li> <li>• Discussed with management on any potential project delays or cost overruns which cannot be recovered from customers;</li> <li>• Agreed the contract sum or any variation orders to the signed agreements; and</li> <li>• Re-computed the percentage of progress of the contracts based on input method to test the accuracy of the percentage of progress used to recognise revenue.</li> </ul>

## **INDEPENDENT AUDITOR'S REPORT**

To The Members Of Sanli Environmental Limited

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### **INFORMATION OTHER THAN THE FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON**

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **RESPONSIBILITIES OF MANAGEMENT AND DIRECTORS FOR THE FINANCIAL STATEMENTS**

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I)s, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

### **AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- a) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



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## INDEPENDENT AUDITOR'S REPORT

To The Members Of Sanli Environmental Limited

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- d) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- e) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Aw Xin-Pei.

Deloitte & Touche LLP  
Public Accountants and  
Chartered Accountants  
Singapore

August 31, 2020

# STATEMENTS OF FINANCIAL POSITION

March 31, 2020

		GROUP		COMPANY	
		2020	2019	2020	2019
	NOTE	\$'000	\$'000	\$'000	\$'000
<b>ASSETS</b>					
<b>Current assets</b>					
Cash and cash equivalents	7	18,172	8,829	38	31
Trade and other receivables	8	11,458	16,282	637	312
Contract assets	9	9,966	15,435	–	–
Financial assets at fair value through profit or loss	10	–	267	–	–
Total current assets		39,596	40,813	675	343
<b>Non-current assets</b>					
Property, plant and equipment	11	9,245	11,157	–	–
Right-of-use assets	12	2,135	–	–	–
Investment in subsidiaries	13	–	–	21,755	21,755
Total non-current assets		11,380	11,157	21,755	21,755
<b>Total assets</b>		<b>50,976</b>	<b>51,970</b>	<b>22,430</b>	<b>22,098</b>
<b>LIABILITIES AND EQUITY</b>					
<b>Current liabilities</b>					
Borrowings	14	271	271	–	–
Trade and other payables	15	17,382	21,622	176	165
Contract liabilities	9	3,133	260	–	–
Finance leases	16	–	68	–	–
Lease liabilities	16	147	–	–	–
Income tax payable		109	504	–	17
Total current liabilities		21,042	22,725	176	182
<b>Non-current liabilities</b>					
Borrowings	14	2,069	2,340	–	–
Finance leases	16	–	76	–	–
Lease liabilities	16	1,145	–	–	–
Deferred tax liabilities	17	251	176	–	–
Total non-current liabilities		3,465	2,592	–	–
<b>Capital, reserves and non-controlling interests</b>					
Share capital	18	21,297	21,297	21,297	21,297
Translation reserves		(16)	(31)	–	–
Merger reserve	19	(6,755)	(6,755)	–	–
Capital reserve	19	521	482	–	–
Retained earnings		11,305	11,662	957	619
Equity attributable to owners of the Company		26,352	26,655	22,254	21,916
Non-controlling interests		117	(2)	–	–
Total equity		26,469	26,653	22,254	21,916
<b>Total liabilities and equity</b>		<b>50,976</b>	<b>51,970</b>	<b>22,430</b>	<b>22,098</b>

See accompanying notes to financial statements.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended March 31, 2020

		GROUP	
		2020	2019
	NOTE	\$'000	\$'000
<b>Revenue</b>	20	67,061	71,350
Cost of contract works		(59,652)	(61,589)
<b>Gross profit</b>		7,409	9,761
Other income	21	384	375
Administrative expenses		(5,840)	(6,131)
Other operating expenses		(1,151)	(1,081)
Finance costs	22	(141)	(97)
<b>Profit before tax</b>		661	2,827
Income tax	23	(239)	(645)
<b>Profit for the year</b>	24	422	2,182
<b>Other comprehensive income (loss)</b>			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of foreign operations		27	(12)
<b>Total comprehensive income for the year</b>		449	2,170
<b>Profit for the year attributable to:</b>			
Owners of the Company		315	2,220
Non-controlling interests		107	(38)
		422	2,182
<b>Total comprehensive income for the year attributable to:</b>			
Owners of the Company		330	2,211
Non-controlling interests		119	(41)
		449	2,170
<b>Earnings per share:</b>			
Basic and diluted (cents)	25	0.12	0.83

See accompanying notes to financial statements.

# STATEMENTS OF CHANGES IN EQUITY

Year ended March 31, 2020

	SHARE CAPITAL \$'000	TRANSLATION RESERVES \$'000	MERGER RESERVE \$'000	CAPITAL RESERVE \$'000	RETAINED EARNINGS \$'000	EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY \$'000	NON- CONTROLLING INTERESTS \$'000	TOTAL \$'000
<b>Balance as at April 1, 2018</b>	21,297	(22)	(6,755)	232	10,114	24,866	39	24,905
<i>Total comprehensive income for the year</i>								
Profit for the year	-	-	-	-	2,220	2,220	(38)	2,182
Other comprehensive loss for the year	-	(9)	-	-	-	(9)	(3)	(12)
<b>Total</b>	-	(9)	-	-	2,220	2,211	(41)	2,170
<i>Transactions with owners, recognised directly in equity</i>								
Recognition of share-based payments (Note 19)	-	-	-	250	-	250	-	250
Dividends (Note 26)	-	-	-	-	(672)	(672)	-	(672)
<b>Total</b>	-	-	-	250	(672)	(422)	-	(422)
<b>Balance as at March 31, 2019</b>	21,297	(31)	(6,755)	482	11,662	26,655	(2)	26,653
<i>Total comprehensive income for the year</i>								
Profit for the year	-	-	-	-	315	315	107	422
Other comprehensive income for the year	-	15	-	-	-	15	12	27
<b>Total</b>	-	15	-	-	315	330	119	449
<i>Transactions with owners, recognised directly in equity</i>								
Recognition of share-based payments (Note 19)	-	-	-	39	-	39	-	39
Dividends (Note 26)	-	-	-	-	(672)	(672)	-	(672)
<b>Total</b>	-	-	-	39	(672)	(633)	-	(633)
<b>Balance as at March 31, 2020</b>	21,297	(16)	(6,755)	521	11,305	26,352	117	26,469

## STATEMENTS OF CHANGES IN EQUITY

Year ended March 31, 2020

COMPANY	SHARE CAPITAL \$'000	RETAINED EARNINGS \$'000	TOTAL \$'000
<b>Balance as at April 1, 2018</b>	21,297	1,283	22,580
Profit for the year representing total comprehensive income for the year	–	8	8
Dividends (Note 26) representing transactions with owners, recognised directly in equity	–	(672)	(672)
<b>Balance as at March 31, 2019</b>	21,297	619	21,916
Profit for the year representing total comprehensive income for the year	–	1,010	1,010
Dividends (Note 26) representing transactions with owners, recognised directly in equity	–	(672)	(672)
<b>Balance as at March 31, 2020</b>	21,297	957	22,254

See accompanying notes to financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended March 31, 2020

	GROUP	
	2020 \$'000	2019 \$'000
<b>Operating activities</b>		
Profit before tax	661	2,827
Adjustments for:		
Depreciation of property, plant and equipment	992	1,077
Depreciation of right-of-use assets	182	–
(Gain) Loss on disposal of property, plant and equipment	(9)	42
Loss on disposal of financial assets at fair value through profit or loss	17	–
Share-based payments expenses	39	250
Finance costs	141	97
Interest income	(99)	(70)
Exchange differences	11	(10)
Operating cash flows before movements in working capital	1,935	4,213
Trade and other receivables	4,824	(596)
Trade and other payables	(4,240)	1,802
Contract assets	5,469	(1,958)
Contract liabilities	2,873	(190)
Cash generated from operations	10,861	3,271
Income tax paid	(548)	(925)
Net cash from operating activities	10,313	2,346
<b>Investing activities</b>		
Purchase of property, plant and equipment	(245)	(1,888)
Proceeds from disposal of property, plant and equipment	147	110
Proceeds from disposal of financial assets at fair value through profit or loss	250	–
Interest received	99	70
Net cash from (used in) investing activities	251	(1,708)
<b>Financing activities</b>		
Dividends paid	(672)	(672)
Repayment of borrowings	(271)	(271)
Repayment of finance leases	–	(123)
Repayment of lease liabilities	(137)	–
Interest paid	(141)	(97)
Net cash used in financing activities	(1,221)	(1,163)
Net increase (decrease) in cash and cash equivalents	9,343	(525)
Cash and cash equivalents at beginning of financial year	8,829	9,354
<b>Cash and cash equivalents at end of financial year</b>	<b>18,172</b>	<b>8,829</b>

See accompanying notes to financial statements.



# NOTES TO FINANCIAL STATEMENTS

March 31, 2020

## 1 GENERAL

The Company (Registration No. 201705316M) is incorporated in Singapore 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 financial statements are expressed in Singapore dollars which is also the functional currency of the Company.

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 13.

The consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the year ended March 31, 2020 were authorised for issue by the Board of Directors on August 31, 2020.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**BASIS OF ACCOUNTING** - The financial statements have been prepared in accordance with the historical cost basis, except as disclosed in the accounting policies below, and are drawn up in accordance with the provisions of the Singapore Companies Act and Singapore Financial Reporting Standards (International) ("SFRS(I)").

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability which market participants would take into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of SFRS(I) 2 *Share-based Payment*, leasing transactions that are within the scope of SFRS(I) 16 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in SFRS(I) 1-2 *Inventories* or value in use in SFRS(I) 1-36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

## NOTES TO FINANCIAL STATEMENTS

March 31, 2020

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

**ADOPTION OF NEW AND REVISED STANDARDS** – On April 1, 2019, 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 SFRS(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 years, except as discussed below.

#### **SFRS(I) 16 Leases**

SFRS(I) 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets when such recognition exemptions are adopted. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. The impact of the adoption of SFRS(I) 16 on the Group's consolidated financial statements is described below.

The date of initial application of SFRS(I) 16 for the Group is April 1, 2019.

The Group has applied the modified retrospective approach with no restatement of comparative information. The cumulative effect of applying SFRS(I) 16 is recognised as an adjustment to the right-of-use assets at an amount equal to the corresponding lease liabilities adjusted for any previously recognised prepaid or accrued lease payments as at date of initial application.

#### (a) Impact of the new definition of a lease

The Group has made use of the practical expedient on transition to SFRS(I) 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with SFRS(I) 1-17 *Leases* and SFRS(I) INT 4 *Determining whether an Arrangement contains a Lease* will continue to be applied to those leases entered or changed before April 1, 2019.

The change in definition of a lease mainly relates to the concept of control. SFRS(I) 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on 'risks and rewards' in SFRS(I) 1-17 and SFRS(I) INT 4.

The Group applies the definition of a lease and related guidance set out in SFRS(I) 16 to all lease contracts entered into or modified on or after April 1, 2019. The new definition in SFRS(I) 16 does not significantly change the scope of contracts that meet the definition of a lease for the Group.

#### (b) Impact on lessee accounting

##### *Former operating leases*

SFRS(I) 16 changes how the Group accounts for leases previously classified as operating leases under SFRS(I) 1-17, which were off-balance-sheet.

# NOTES TO FINANCIAL STATEMENTS

March 31, 2020

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Applying SFRS(I) 16, for all leases, the Group:

- Recognises right-of-use assets and lease liabilities in the statements of financial position, initially measured at the present value of the remaining lease payments, with the right-of-use assets adjusted by the amount of any prepaid or accrued lease payments in accordance with SFRS(I) 16;
- Recognises depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of comprehensive income; and
- Separates the total amount of cash paid into a principal portion and interest in the consolidated statement of cash flows.

Under SFRS(I) 16, right-of-use assets are tested for impairment in accordance with SFRS(I) 1-36.

For short-term leases (lease term of 12 months or less) and leases of low-value assets, the Group has opted to recognise a lease expense on a straight-line basis as permitted by SFRS(I) 16. This expense is presented within administrative expenses in the consolidated statement of comprehensive income.

The Group has used the following practical expedients to leases previously classified as operating leases applying SFRS(I) 1-17.

- The Group has applied a single discount rate to a portfolio of leases with reasonably similar characteristics;
- The Group has elected not to recognise the right-of-use assets and lease liabilities to leases for which the lease term ends within 12 months of the date of initial application;
- The Group has used hindsight when determining the lease term when the contract contains options to extend the lease.

### *Former finance leases*

For leases that were classified as finance leases applying SFRS(I) 1-17, the carrying amount of the leased assets and obligations under finance leases measured applying SFRS(I) 1-17 immediately before the date of initial application is reclassified to right-of-use assets and lease liabilities respectively without any adjustments, except in cases where the Group has elected to apply the low-value lease recognition exemption.

The right-of-use asset and the lease liability are accounted for applying SFRS(I) 16 from April 1, 2019.

### (c) Impact on lessor accounting

SFRS(I) 16 does not change substantially how a lessor accounts for leases. Under SFRS(I) 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently.

However, SFRS(I) 16 has changed and expanded the disclosures required, in particular regarding how a lessor manages the risks arising from its residual interest in leased assets.

# NOTES TO FINANCIAL STATEMENTS

March 31, 2020

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (d) Financial impact of initial application of SFRS(I) 16

The weighted average lessee's incremental borrowing rate applied to the lease liabilities recognised in the statement of financial position on April 1, 2019 is 3.2%.

The following table shows the operating lease commitments disclosed applying SFRS(I) 1-17 at March 31, 2019, discounted using the incremental borrowing rate at the date of initial application and the lease liabilities recognised in the statement of financial position at the date of initial application.

	GROUP \$'000
Operating lease commitments at March 31, 2019	2,084
Less: Short-term leases and leases of low value assets	(385)
Less: Effect of discounting the above amounts	(470)
Add: Finance lease liabilities recognised under SFRS(I) 1-17 at March 31, 2019	144
Lease liabilities recognised at April 1, 2019	<u>1,373</u>

Right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of initial application. Consequently, right-of-use assets of \$1,228,000 were recognised on April 1, 2019.

During the year, motor vehicles previously held under finance lease applying SFRS(I) 1-17 and fully paid leasehold property, which amounted to \$432,000 and \$601,000 respectively, have been reclassified to right-of-use assets under SFRS(I) 16 at date of initial application.

**BASIS OF CONSOLIDATION** - The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- Has power over the investee;
- Is exposed, or has rights, to variable returns from its involvement with the investee; and
- Has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

# NOTES TO FINANCIAL STATEMENTS

March 31, 2020

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Company, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All significant intercompany transactions and balances between the entities in the Group are eliminated on consolidation.

### Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable SFRS(I)s). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under SFRS(I) 9 *Financial Instruments*.

In the Company's financial statements, investments in subsidiaries are carried at cost less any impairment in net recoverable value that has been recognised in profit or loss.

## NOTES TO FINANCIAL STATEMENTS

March 31, 2020

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

**FINANCIAL INSTRUMENTS** - Financial assets and financial liabilities are recognised on the statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

#### **Financial assets**

All financial assets are recognised and de-recognised on a trade date where the purchase or sale of an investment is under a contract whose terms require delivery of assets within the timeframe established by the market concerned.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

#### Classification of financial assets

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are subsequently measured at fair value through profit or loss (FVTPL).

Despite the foregoing, the Group may make the following irrevocable election/designation at initial recognition of a financial asset:

- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and
- the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.



# NOTES TO FINANCIAL STATEMENTS

March 31, 2020

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### *Amortised cost and effective interest method*

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised in profit or loss using effective interest method and is included in the "other income" line item.

### *Financial assets at FVTPL*

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition.
- Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The Group has not designated any debt instruments as at FVTPL.

Financial assets at FVTPL are measured at fair value as at each reporting date, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the "other income" line item. Fair value is determined in the manner described in Note 4(b)(vi).

### Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate as at each reporting date. Net exchange differences are recognised in profit or loss in the "other operating expenses" line item.

## NOTES TO FINANCIAL STATEMENTS

March 31, 2020

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### Impairment of financial assets

The Group recognises a loss allowance for expected credit losses ("ECL") on investments in debt instruments that are measured at amortised cost, contract assets, as well as on loan commitments and financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables and contract assets. The expected credit losses on these financial assets are estimated based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

#### *Significant increase in credit risk*

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

# NOTES TO FINANCIAL STATEMENTS

March 31, 2020

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if i) the financial instrument has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

For loan commitments and financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a loan commitment, the Group considers changes in the risk of a default occurring on the loan to which a loan commitment relates; for financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

### *Definition of default*

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

### *Credit-impaired financial assets*

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

## NOTES TO FINANCIAL STATEMENTS

March 31, 2020

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### *Write-off policy*

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings and there is no realistic prospect of recovery. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

#### *Measurement and recognition of expected credit losses*

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for loan commitments and financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

For a financial guarantee contract, as the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed, the expected loss allowance is the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

Where lifetime ECL is measured on a collective basis to cater for cases where evidence of significant increases in credit risk at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments (i.e. the Group's trade and other receivables and amounts due from customers are each assessed as a separate group);
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

# NOTES TO FINANCIAL STATEMENTS

March 31, 2020

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

### **Financial liabilities and equity instruments**

#### Classification as debt or equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

#### Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments are recognised at the proceeds received, net of direct issue costs.

#### Financial liabilities

Trade and other payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method, except for short-term balances when the recognition of interest would be immaterial.

Interest-bearing borrowings are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, using the effective interest method. Interest expense calculated using the effective interest method is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs (see below).

#### Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost, the fair value of financial liabilities that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate as at each reporting date. Net exchange differences are recognised in profit or loss in the "other operating expenses" line item.

#### Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

## NOTES TO FINANCIAL STATEMENTS

March 31, 2020

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### Offsetting arrangements

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when the Group has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. A right to set-off must be available today rather than being contingent on a future event and must be exercisable by any of the counterparties, both in the normal course of business and in the event of default, insolvency or bankruptcy.

**CONTRACT ASSETS AND LIABILITIES** - A contract asset is recognised when the Group has performed services under the contract but has not yet billed the customer. Conversely, a contract liability is recognised when the Group has not yet performed services under the contract but has received advanced payments from the customer. Contract assets are transferred to receivables when the rights to consideration become unconditional. Contract liabilities are recognised as revenue as the Group performs services under the contract.

**LEASES (before April 1, 2019)** - Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lease. All other leases are classified as operating leases.

#### The Group as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease over the lease term are recognised on the profit or loss statement on a straight-line basis over the period of the lease.

#### The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.



# NOTES TO FINANCIAL STATEMENTS

March 31, 2020

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

LEASES (from April 1, 2019)

### The Group as lessor

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

When a contract includes lease and non-lease components, the Group applies SFRS(I) 15 *Revenue from Contracts with Customers* to allocate the consideration under the contract to each component.

### The Group as lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses the incremental borrowing rate specific to the lessee.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

## NOTES TO FINANCIAL STATEMENTS

March 31, 2020

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- the lease payments change due to a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used); or
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under SFRS(I) 1-37 *Provisions, Contingent Liabilities and Contingent Assets*. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

Depreciation is charged over the lease terms, using the straight-line method, on the following bases:

Motor vehicles	10 years
Leasehold properties	19 to 23 years
Dormitories	2 years

The right-of-use assets are presented as a separate line in the statement of financial position.

The Group applies SFRS(I) 1-36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line 'administrative expenses' in the statement of comprehensive income.

As a practical expedient, SFRS(I) 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has used this practical expedient.

# NOTES TO FINANCIAL STATEMENTS

March 31, 2020

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

**PROPERTY, PLANT AND EQUIPMENT** - Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is charged so as to write off the cost less residual values, over their estimated useful lives, using the straight-line method, on the following bases:

Motor vehicles	2 to 10 years
Office equipment	5 years
Leasehold properties	Over the lease term of 25 to 27 years (2019 : 25 to 28 years)
Renovation	5 years
Furniture and fittings	5 years
Workshop equipment	5 years

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Fully depreciated assets still in use are retained in the financial statements.

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

**IMPAIRMENT OF NON-FINANCIAL ASSETS** - At the end of each reporting period, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

**INTERESTS IN A JOINT OPERATION** - A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

## NOTES TO FINANCIAL STATEMENTS

March 31, 2020

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

When a group entity undertakes its activities under a joint operation, the Group as a joint operator recognises in relation to its interest in a joint operation:

- Its assets, including its share of any assets held jointly;
- Its liabilities, including its share of any liabilities incurred jointly;
- Its revenue from the sale of its share of the output arising from the joint operation;
- Its share of the revenue from the sale of the output by the joint operation; and
- Its expenses, including its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the SFRS(I)s applicable to the particular assets, liabilities, revenues and expenses.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a sale or contribution of assets), the Group is considered to be conducting the transaction with the other parties to the joint operation, and gains and losses resulting from the transactions are recognised in the Group's consolidated financial statements only to the extent of other parties' interests in the joint operation.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a purchase of assets), the Group does not recognise its share of the gains and losses until it resells those assets to a third party.

**PROVISIONS** - Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

**REVENUE RECOGNITION** - Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a product or service to a customer.

## NOTES TO FINANCIAL STATEMENTS

March 31, 2020

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### Engineering, procurement and construction contracts

The Group constructs facilities that are stated in the contract and it is common to have a warranty period included in the contract. The Group's performance creates an asset with no alternative use to the Group, as each construction project is customised to the customer's needs and is physically built at the customer's premises or at a location that the customer controls, hence the asset cannot be resold to another customer. The Group has an enforceable right to payment for work done. Contract revenue is therefore recognised over time on a cost-to-cost method, i.e. based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs. Management considers that this input method is an appropriate measure of the progress towards complete satisfaction of these performance obligations under SFRS(I) 15.

The Group becomes entitled to invoice customers for construction of facilities based on achieving a series of performance-related milestones. The Group will previously have recognised a contract asset for any work performed. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer. If the milestone payment exceeds the revenue recognised to date under the cost-to-cost method then the Group recognises a contract liability for the difference. There is not considered to be a significant financing component in construction contracts with customers as the period between the recognition of revenue under the cost-to-cost method and payment from customer is always less than one year.

#### Operations and maintenance services

The Group provides maintenance services to customers throughout the contract or defect liability period. Revenue relating to the maintenance services is recognised over time when the customer simultaneously receives and consumes the benefits as the Group performs the services (i.e. the monthly maintenance services performed).

#### Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

#### Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and the Grants will be received. Government grants are recognised as income over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

**SHARE-BASED PAYMENTS** - Equity-settled share-based payments are measured at fair value of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the moratorium period of two years. At the end of each reporting period, the shareholder revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity settled employee benefits reserve.

## NOTES TO FINANCIAL STATEMENTS

March 31, 2020

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

**BORROWING COSTS** - Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

**RETIREMENT BENEFIT COSTS** - Payments to defined contribution retirement benefit plans are charged as an expense when employees have rendered the services entitling them to the contributions. Payments made to state-managed retirement benefit schemes, such as the Singapore Central Provident Fund, are dealt with as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

**EMPLOYEE LEAVE ENTITLEMENT** - Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

**INCOME TAX** - Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted in countries where the Company and subsidiaries operate by the end of the reporting period.

Deferred tax is recognised on the differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised on taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

## NOTES TO FINANCIAL STATEMENTS

March 31, 2020

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised as an expense or income in profit or loss.

**FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION** - The individual financial statements of each group entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the Group are presented in Singapore dollars, which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rate of exchange prevailing on the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the period.

For the purpose of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in Singapore dollars using exchange rates prevailing at the end of the reporting period. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a separate component of equity under the header of foreign currency translation reserve.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified to profit or loss. Any exchange differences that have previously been attributed to non-controlling interests are derecognised, but they are not reclassified to profit or loss.

In the case of a partial disposal (i.e. no loss of control) of a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss.

**CASH AND CASH EQUIVALENTS IN THE STATEMENT OF CASH FLOWS** - Cash and cash equivalents in the statement of cash flows comprise fixed deposits, cash on hand and cash at bank that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.



## NOTES TO FINANCIAL STATEMENTS

March 31, 2020

### 3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 2, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

#### *Critical judgements in applying the Group's accounting policies*

Management is of the opinion that any instances of application of judgements are not expected to have a significant effect on the amounts recognised in the financial statements apart from those involving estimation which are dealt with below.

#### *Key sources of estimation uncertainty*

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

#### (i) Revenue recognition of engineering, procurement and construction ("EPC") contracts

The Group recognises contract revenue by reference to the progress towards complete satisfaction of a performance obligation at the end of the reporting period. Progress towards complete satisfaction of a performance obligation is measured based on input method.

Significant judgement is required to estimate the total cost on completion. The uncertainty and subjectivity involved in determining the total cost on completion may result in a significant impact to the revenue recognised during the year.

Management has reviewed the estimates, which are based on committed purchases and historical experience. Management is satisfied that the estimates are realistic, and that total project costs do not exceed total project revenue for each individual contract that is ongoing as at the end of the reporting period.

The amount of contract revenue recognised based on input method is disclosed in Note 20. The carrying amounts of contract assets and contract liabilities arising from EPC contracts are disclosed in Note 9.

#### (ii) Loss allowance of receivables and contract assets

The Group assesses at each reporting date the allowance required for its receivables and contract assets. The Group considers factors such as the probability of significant difficulties of the receivables and contract assets, historical defaults or significant delay in payments and economic conditions. Significant judgment is made by management in determining the amount and timing of future cash flows, estimated based on historical loss experience for assets with similar credit risk characteristics, and any relevant forward-looking adjustments, including taking into consideration the credit-worthiness, past collection history, settlement arrangements, subsequent receipts and on-going dealings with the balance.

The carrying amounts of trade and other receivables and contract assets are disclosed in Notes 8 and 9.

## NOTES TO FINANCIAL STATEMENTS

March 31, 2020

### 3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONT'D)

#### *Key sources of estimation uncertainty (Cont'd)*

##### (iii) Estimation of lease term

When estimating the lease term of the respective lease arrangement, management considers all facts and circumstances that create an economic incentive to exercise an extension option, including any expected changes in facts and circumstances from the commencement date until the exercise date of the option. Extension options are only included in the lease term if the lease is reasonably certain to be extended.

If a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee, the above assessment will be reviewed further.

The carrying amounts of right-of-use assets and lease liabilities are disclosed in Notes 12 and 16.

### 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT

#### (a) Categories of financial instruments

The following table sets out the financial instruments as at the end of the reporting period:

	GROUP		COMPANY	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
<b>Financial assets</b>				
- amortised cost	29,370	24,793	654	321
- FVTPL	–	267	–	–
<b>Financial liabilities</b>				
- amortised cost	19,722	24,377	176	165
- lease liabilities	1,292	–	–	–

#### (b) Financial risk management policies and objectives

##### (i) Foreign exchange risk management

The Group's foreign currency exposures arise mainly from the exchange rate movements of the United States dollar, Euro and Japanese yen against the Singapore dollar.

## NOTES TO FINANCIAL STATEMENTS

March 31, 2020

### 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONT'D)

#### (b) Financial risk management policies and objectives (Cont'd)

##### (i) Foreign exchange risk management (Cont'd)

At each reporting date, the carrying amounts of significant monetary assets and monetary liabilities denominated in currencies other than the group entities' functional currencies are as follows:

	GROUP			
	ASSETS		LIABILITIES	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
United States dollar	1,122	118	2,604	2,611
Euro	—	—	824	810
Japanese yen	—	—	—	173

#### Foreign currency sensitivity

The sensitivity rate used when reporting foreign exchange risk exposures internally to key management personnel is 10%, which represents management's assessment of the possible change in foreign exchange rates.

If the relevant foreign currencies strengthen by 10% against the group entity's functional currencies, the Group's profit before tax will increase (decrease) by:

	GROUP	
	2020	2019
	\$'000	\$'000
United States dollar	(148)	(249)
Euro	(82)	(81)
Japanese yen	—	(17)

If the relevant foreign currencies weaken by 10% against the group entity's functional currencies, the impact on the Group's profit before tax would be vice versa.

The Company is not exposed to foreign exchange risk as it does not have monetary assets and monetary liabilities denominated in foreign currencies.

## NOTES TO FINANCIAL STATEMENTS

March 31, 2020

### 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONT'D)

#### (b) Financial risk management policies and objectives (Cont'd)

##### (ii) Interest rate risk management

The Group is exposed to interest rate risk mainly through certain floating-rate borrowings (Note 14).

##### *Interest rate sensitivity*

The sensitivity analysis below has been determined based on the exposure to interest rates for financial instruments at the end of the reporting period and the stipulated change taking place at the beginning of the reporting period and held constant throughout the reporting period in the case of instruments that have floating rates. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the impact on the Group's profit before tax would decrease/increase by \$12,000 (2019 : \$13,000).

The Company is not exposed to interest rate risk as it does not have interest-bearing assets and liabilities.

##### (iii) Equity price risk management

The Group and the Company are not exposed to any significant equity price risk as management has assessed the impact to be immaterial.

##### (iv) Credit risk management

The Group has adopted procedures in extending credit terms to customers and in monitoring its credit risk. The Group only grants credit to creditworthy counterparties, based on the credit evaluation process performed by management. Bank balances are held with creditworthy financial institutions.

The Group develops and maintains its credit risk gradings to categorise exposures according to their degree of risk of default. The Group uses its trading records to rate its major customers and other debtors. The Group does not hold any collateral to cover its credit risks associated with its financial assets and contract assets.

## NOTES TO FINANCIAL STATEMENTS

March 31, 2020

### 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONT'D)

#### (b) Financial risk management policies and objectives (Cont'd)

##### (iv) Credit risk management (Cont'd)

The Group's current credit risk grading framework comprises the following categories:

CATEGORY	DESCRIPTION	BASIS FOR RECOGNISING EXPECTED CREDIT LOSSES (ECL)
Performing	The counterparty has a low risk of default and does not have any past due amounts.	12-month ECL
Doubtful	Amount is >30 days past due or there has been a significant increase in credit risk since initial recognition unless the Group has reasonable and supportable information that amount is subjected to low credit risk.	Lifetime ECL – not credit-impaired
In default	Amount is >90 days past due or there is evidence indicating the asset is credit-impaired unless the Group has reasonable and supportable information that amount is subjected to low credit risk.	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery.	Amount is written off

Further details of the credit quality and maximum exposure to credit risk of the Group's financial assets and contract assets are detailed in Notes 8 and 9 to the financial statements.

The Group has a concentration of credit risk as 84% (2019 : 85%) of trade receivables are due from its largest debtor. The Group considers this debtor to be of good credit quality.

The maximum exposure to credit risk in the event that the counterparties fail to perform their obligations as at the end of the year in relation to each class of recognised financial assets and contract assets are the carrying amount of those assets as stated in the statement of financial position.

As at March 31, 2019, the carrying amount of the Group's financial assets at FVTPL (Note 10) best represents their respective maximum exposure to credit risk. The Group holds no collateral over any of these balances.

##### (v) Liquidity risk management

The Group and the Company monitor its liquidity risk and maintains a level of bank balances deemed adequate by management to finance its operations and to mitigate the effects of fluctuations in cash flows. Liquidity risk is further managed by matching the payment and receipt cycle.

# NOTES TO FINANCIAL STATEMENTS

March 31, 2020

## 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONT'D)

### (b) Financial risk management policies and objectives (Cont'd)

#### (v) Liquidity risk management (Cont'd)

*Liquidity and interest risk analyses*

#### Non-derivative financial liabilities

The following table details the remaining contractual maturity for non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which is not included in the carrying amount of the financial liabilities on the consolidated statement of financial position.

GROUP	WEIGHTED AVERAGE EFFECTIVE INTEREST RATE %	ON DEMAND OR WITHIN 1 YEAR \$'000	WITHIN 2 TO 5 YEARS \$'000	AFTER 5 YEARS \$'000	ADJUSTMENT \$'000	TOTAL \$'000
<b>2020</b>						
Non-interest bearing	–	17,382	–	–	–	17,382
Variable interest rate instruments	3.1	280	1,118	1,015	(73)	2,340
Lease liabilities (fixed rate)	3.2	174	225	1,355	(462)	1,292
Total		17,836	1,343	2,370	(535)	21,014
<b>2019</b>						
Non-interest bearing	–	21,622	–	–	–	21,622
Fixed interest rate instruments	2.9	70	79	–	(5)	144
Variable interest rate instruments	2.9	279	1,116	1,292	(76)	2,611
Total		21,971	1,195	1,292	(81)	24,377

All financial liabilities of the Company are due on demand or within one year from the end of the reporting periods and are non-interest bearing.

#### Non-derivative financial assets

All financial assets of the Group and the Company are due on demand or within one year from the end of the reporting periods and are non-interest bearing, except for fixed deposits (2019 : fixed deposits and financial assets at fair value through profit or loss), which are detailed in Notes 7 and 10 to the financial statements.

## NOTES TO FINANCIAL STATEMENTS

March 31, 2020

### 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONT'D)

#### (b) Financial risk management policies and objectives (Cont'd)

##### (vi) Fair value of financial assets and financial 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 (2019 : finance leases) approximate their respective fair values as the interest rates approximate the prevailing market rates.

Apart from the financial assets at fair value through profit or loss (Note 10), the Group and the Company has no financial assets and financial liabilities that are measured at fair value on a recurring basis.

#### (c) Capital management policies and objectives

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of debt and equity attributable to owners of the Company, comprising issued capital, reserves and retained earnings. The Group is required to maintain specific financial ratio in order to comply with covenants in loan agreements with banks. The Group is in compliance with external imposed capital requirements.

The Group's overall strategy remains unchanged from the preceding year.

### 5 HOLDING COMPANY AND RELATED COMPANY TRANSACTIONS

The Company is a subsidiary of Typha Holdings Pte. Ltd., incorporated in Singapore, which is also the Company's ultimate holding company.

Related companies in these financial statements refer to the subsidiaries of the Company. There are transactions and arrangements between members of the Group and the effect of these on the basis determined between the parties is reflected in these financial statements. The intercompany balances are unsecured, interest-free and repayable on demand unless otherwise stated.

Transactions between members of the Group have been eliminated on consolidation and are therefore not disclosed in this note.

### 6 OTHER RELATED PARTY TRANSACTIONS

Some of the Group's transactions and arrangements are with related parties and the effect of these on the basis determined between the parties is reflected in these financial statements. The balances are unsecured, interest-free and repayable on demand.



## NOTES TO FINANCIAL STATEMENTS

March 31, 2020

### 6 OTHER RELATED PARTY TRANSACTIONS (CONT'D)

#### *Compensation of directors and key management personnel*

The remuneration of directors and other members of key management during the year was as follows:

	GROUP	
	2020 \$'000	2019 \$'000
Short-term benefits	1,526	1,794
Post-employment benefits	99	89
Share-based payments	7	31
	1,632	1,914

### 7 CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Fixed deposits	4,370	201	–	–
Cash on hand and at bank	13,802	8,628	38	31
	18,172	8,829	38	31

As at March 31, 2020, the Group's fixed deposits bear an average effective interest rate of 1.68% (2019 : 0.8%) per annum with tenure of approximately 12 months (2019 : 18 months). The fixed deposits can be readily convertible into cash.

### 8 TRADE AND OTHER RECEIVABLES

	GROUP		COMPANY	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Trade receivables	9,403	14,114	–	–
Accrued revenue	347	588	–	–
Amount due from a subsidiary	–	–	616	290
Deposits	473	830	–	–
Prepayments	260	318	21	22
Other receivables	975	432	–	–
	11,458	16,282	637	312

## NOTES TO FINANCIAL STATEMENTS

March 31, 2020

### 8 TRADE AND OTHER RECEIVABLES (CONT'D)

#### Trade receivables and accrued revenue

The credit period ranges from 21 to 60 days (2019 : 21 to 60 days) and non-interest bearing. Loss allowance for trade receivables has always been measured at an amount equal to lifetime expected credit losses ("ECL"). The ECL on trade receivables are estimated by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. There are no loss allowances in 2020 and 2019.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for trade receivables and accrued revenue.

A trade receivable is written off when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over two years past due, whichever occurs earlier. There are no trade receivables that have been written off in 2020 and 2019.

The Group's trade receivables past due amounted to \$1,047,000 (2019 : \$1,070,000). The Group has not recognised loss allowance against these receivables because there has not been a significant change in credit quality and the amounts are still considered recoverable.

#### Other receivables

For purpose of impairment assessment, other receivables are considered to have low credit risk as they are not due for payment as the end of the reporting period and there has been no significant increase in the risk of default on the receivables since initial recognition. Accordingly, for the purpose of impairment assessment for these receivables, the loss allowance is measured at an amount equal to the 12-month expected credit losses ("ECL").

In determining the ECL, management has taken into account the historical default experience and the financial position of the counterparties, adjusted for factors that are specific to the debtors and general economic conditions of the industry in which the debtors operate, in estimating the probability of default of each of these financial assets occurring within their respective loss assessment time horizon, as well as the loss upon default in each case.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for other receivables.

#### Amount due from a subsidiary

For purpose of impairment assessment, the receivables are considered to have low credit risk as the timing of payment is controlled by the Company taking into account cash flow management within the subsidiary and there has been no significant increase in the risk of default on the receivables since initial recognition. Accordingly, for the purpose of impairment assessment for these receivables, the loss allowance is measured at an amount equal to the 12-month expected credit losses ("ECL").

In determining the ECL, management has taken into account the financial position of the subsidiary, adjusted for factors that are specific to the subsidiary and general economic conditions of the industry in which the subsidiary operates, in estimating the probability of default of the receivables as well as the loss upon default. Management determines the receivables from the subsidiary are subject to immaterial credit loss.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for amount due from the subsidiary.

# NOTES TO FINANCIAL STATEMENTS

March 31, 2020

## 9 CONTRACT ASSETS / CONTRACT LIABILITIES

	GROUP	
	2020	2019
	\$'000	\$'000
<b>Engineering, procurement and construction contracts:</b>		
Contract assets	9,966	15,435
Contract liabilities	3,133	260

### Contract assets

Amounts relating to engineering, procurement and construction contracts are balances due from customers under contracts that arise when the Group receives payments from customers in line with a series of performance - related milestones. The Group will previously have recognised a contract asset for any work performed. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer.

The significant decrease (2019 : increase) in the contract asset balances was due to completion of projects (2019 : new projects secured) during the reporting period.

Management always estimates the loss allowance on amounts due from customers at an amount equal to lifetime ECL, taking into account the historical default experience and the future prospects of the industry in which the customers operate. None of the amounts due from customers at the end of the reporting period is past due.

As there was no historical credit loss experience by the Group, no provision for loss allowance has been made.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for contract assets.

### Contract liabilities

Amounts relating to engineering, procurement and construction contracts are balances due to customers under contracts that arise when a particular milestone payment exceeds the revenue recognised to date under the input method.

The significant increase in the contract liability balances was due to advance billing for a project (2019 : There were no significant changes in the contract liability balances) during the reporting period.

The following table shows how much of the revenue recognised in the current reporting period relates to brought-forward contract liabilities. There was no revenue recognised in the current reporting period that related to performance obligations that were satisfied in a prior year.

The Group's revenue recognised that was included in the contract liability balance at the beginning of the period:

	GROUP	
	2020	2019
	\$'000	\$'000
Engineering, procurement and construction contracts	260	450

## NOTES TO FINANCIAL STATEMENTS

March 31, 2020

### 10 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	GROUP	
	2020 \$'000	2019 \$'000
Quoted debt instruments, at fair value	–	267
Less: Amount due to mature within 12 months	–	(267)
Amount due to mature after 12 months	–	–
Nominal values	–	267
Coupon rates (per annum)	–	4.35%

The investments comprise quoted debt securities that offer the Group the opportunity for return through interest income and fair value gains. The fair values of these securities are based on closing quoted market prices on the last market day of the reporting periods.

The fair value measurement of the quoted debt instruments is categorised as Level 1 within the fair value hierarchy, and there were no transfers between the respective levels during the year.

## 11 PROPERTY, PLANT AND EQUIPMENT

# NOTES TO FINANCIAL STATEMENTS

March 31, 2020

	MOTOR VEHICLES \$'000	OFFICE EQUIPMENT \$'000	LEASEHOLD PROPERTIES \$'000	RENOVATION \$'000	FURNITURE AND FITTINGS \$'000	WORKSHOP EQUIPMENT \$'000	TOTAL \$'000
Group							
<b>Cost:</b>							
At April 1, 2018	1,782	499	10,034	422	-	114	12,851
Reclassification	-	79	(847)	767	-	1	-
Additions	696	186	-	122	692	192	1,888
Disposals	(311)	(4)	-	-	-	-	(315)
Exchange differences	2	(2)	-	-	-	-	-
At March 31, 2019	2,169	758	9,187	1,311	692	307	14,424
Adoption of SFRS(I) 16	(644)	-	(888)	-	-	-	(1,532)
At April 1, 2019 (restated)	1,525	758	8,299	1,311	692	307	12,892
Additions	135	84	-	-	-	26	245
Disposals	(458)	(58)	-	-	(1)	-	(517)
Exchange differences	3	4	-	4	(3)	1	9
At March 31, 2020	1,205	788	8,299	1,315	688	334	12,629
<b>Accumulated depreciation:</b>							
At April 1, 2018	593	257	997	399	-	105	2,351
Depreciation	289	112	342	173	127	34	1,077
Disposals	(159)	(4)	-	-	-	-	(163)
Exchange differences	2	-	-	-	-	-	2
At March 31, 2019	725	365	1,339	572	127	139	3,267
Adoption of SFRS(I) 16	(212)	-	(287)	-	-	-	(499)
At April 1, 2019 (restated)	513	365	1,052	572	127	139	2,768
Depreciation	188	116	324	183	137	44	992
Disposals	(322)	(56)	-	-	(1)	-	(379)
Exchange differences	1	-	-	-	-	2	3
At March 31, 2020	380	425	1,376	755	263	185	3,384
<b>Carrying amount:</b>							
At March 31, 2019	1,444	393	7,848	739	565	168	11,157
At April 1, 2019 (restated)	1,012	393	7,247	739	565	168	10,124
At March 31, 2020	825	363	6,923	560	425	149	9,245

As at March 31, 2019, the carrying amount of the Group's motor vehicles held under finance leases (Note 16) are \$432,000.

The Group's borrowings (Note 14) are secured by mortgage of leasehold properties of the Group of which the carrying amounts are shown above.

## NOTES TO FINANCIAL STATEMENTS

March 31, 2020

### 12 RIGHT-OF-USE ASSETS

GROUP	MOTOR VEHICLES \$'000	LEASEHOLD PROPERTIES \$'000	DORMITORIES \$'000	TOTAL \$'000
<b>Cost:</b>				
At April 1, 2019	–	1,177	51	1,228
Reclassifications arising from adoption of SFRS(I) 16 (Note 11)	644	888	–	1,532
Additions	–	–	56	56
At March 31, 2020	644	2,065	107	2,816
<b>Accumulated depreciation:</b>				
At April 1, 2019	–	–	–	–
Reclassifications arising from adoption of SFRS(I) 16 (Note 11)	212	287	–	499
Depreciation	64	84	34	182
At March 31, 2020	276	371	34	681
<b>Carrying amount:</b>				
At April 1, 2019	432	1,778	51	2,261
At March 31, 2020	368	1,694	73	2,135

The Group leases motor vehicles, properties and dormitories. The lease terms ranges from 2 to 23 years.

The Group has options to renew certain properties and dormitories at the end of the lease term.

The Group's obligations are secured by the lessors' title to the leased assets for such leases.

### 13 INVESTMENT IN SUBSIDIARIES

	COMPANY	
	2020	2019
	\$'000	\$'000
Unquoted equity shares, at cost	21,755	21,755

# NOTES TO FINANCIAL STATEMENTS

March 31, 2020

## 13 INVESTMENT IN SUBSIDIARIES (CONT'D)

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	
			2020 %	2019 %
Sanli M&E Engineering Pte. Ltd. <sup>(a)</sup>	Engineering, procurement and construction solutions and services in the field of water and waste management.	Singapore	100	100
Sanli M&E Engineering Sdn. Bhd. <sup>(b)</sup>	Project management, contracting and M&E engineering services in the water treatment industry.	Malaysia	100	100
Sanli E&C Pte. Ltd. <sup>(a)</sup>	Engineering, procurement and construction solutions and services in the field of water and waste management.	Singapore	100	100
Sanli Environmental (Myanmar) Co. Ltd. <sup>(c)</sup>	Engineering, procurement and construction solutions and services in the field of water and waste management.	Myanmar	60	60
Link Control Co. Ltd. <sup>(c)</sup>	Business support and administrative activities.	Myanmar	21 <sup>(d)</sup>	—

### Notes:

<sup>(a)</sup> Audited by Deloitte & Touche LLP, Singapore.

<sup>(b)</sup> Audited by William C.H. Tan & Associates, Malaysia.

<sup>(c)</sup> Audited by JF Group Accounting & Auditing Firm, Myanmar.

<sup>(d)</sup> The company was incorporated during the financial year. The company is considered a subsidiary as the Group is exposed, or has rights to variable returns from its involvement with the company and has the ability to affect those returns through its power over the company.



## NOTES TO FINANCIAL STATEMENTS

March 31, 2020

### 14 BORROWINGS

	GROUP	
	2020	2019
	\$'000	\$'000
Bank loans for properties	2,340	2,611
Less: Amount due for settlement within 12 months	(271)	(271)
Amount due for settlement after 12 months	2,069	2,340
Interest rates on borrowings (per annum)	3.14%	2.91%

Bank loans for properties are secured by mortgage of leasehold properties of the Group (Note 11) and corporate guarantee from the Company, with periodic repayment over 15 to 16 year terms.

	GROUP	
	2020	2019
	\$'000	\$'000
Undrawn committed borrowing facilities	35,849	15,208

The facilities are secured by corporate guarantee from the Company and fixed deposits placed with the bank.

#### Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	BORROWINGS (NOTE 14) \$'000	FINANCE LEASES (NOTE 16) \$'000	LEASE LIABILITIES (NOTE 16) \$'000	TOTAL \$'000
April 1, 2018	2,882	267	–	3,149
Financing cash flows <sup>(i)</sup>	(271)	(123)	–	(394)
March 31, 2019	2,611	144	–	2,755
Adoption of SFRS(I) 16	–	(144)	1,373	1,229
April 1, 2019 (restated)	2,611	–	1,373	3,984
Financing cash flows <sup>(i)</sup>	(271)	–	(137)	(408)
Others	–	–	56	56
March 31, 2020	2,340	–	1,292	3,632

<sup>(i)</sup> The cash flows make up the net amount of repayment of borrowings and lease liabilities (2019 : finance leases) in the statement of cash flows.

## NOTES TO FINANCIAL STATEMENTS

March 31, 2020

### 15 TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Trade payables	8,501	10,353	5	– *
Accruals	8,264	10,935	171	165
Other payables	617	334	–	–
	17,382	21,622	176	165

\* This represents amount less than \$1,000.

The credit period on trade payables ranges from 30 to 60 days (2019 : 30 to 60 days). No interest is charged on outstanding balances.

### 16 LEASE LIABILITIES / FINANCE LEASES

#### Lease liabilities (Disclosure required by SFRS(I) 16)

	GROUP
	2020
	\$'000
Maturity analysis:	
Year 1	174
Year 2	86
Year 3	51
Year 4	44
Year 5	44
Year 6 onwards	1,355
	1,754
Less: Unearned interest	(462)
	1,292
Analysed as:	
Current	147
Non-current	1,145
	1,292

The Group does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Group's treasury function.

# NOTES TO FINANCIAL STATEMENTS

March 31, 2020

## 16 LEASE LIABILITIES / FINANCE LEASES (CONT'D)

### Finance leases (Disclosure required by SFRS(I) 1-17)

	GROUP	
	MINIMUM LEASE PAYMENTS	PRESENT VALUE OF MINIMUM LEASE PAYMENTS
	2019	2019
	\$'000	\$'000
Amounts payable under finance leases:		
Within one year	79	68
In the second to fifth years inclusive	89	76
	168	144
Less: Future finance charges	(24)	–
Present value of lease obligations	144	144
Less: Amount due for settlement within 12 months		(68)
Amount due for settlement after 12 months		76

As at March 31, 2019, the lease terms range from 5 to 7 years. The borrowing rate ranges 2.8% to 3.0% per annum. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The Group's obligations under finance leases are secured by the lessors' title to the leased motor vehicles (Note 11).

## 17 DEFERRED TAX LIABILITIES

The following are deferred tax liabilities recognised by the Group and the movements thereon, during the current and prior reporting periods:

GROUP	ACCELERATED TAX DEPRECIATION
	\$'000
At April 1, 2018	–
Charge to profit or loss for the year (Note 23)	176
At March 31, 2019	176
Charge to profit or loss for the year (Note 23)	75
At March 31, 2020	251

# NOTES TO FINANCIAL STATEMENTS

March 31, 2020

## 18 SHARE CAPITAL

	GROUP AND COMPANY			
	2020	2019	2020	2019
	NUMBER OF ORDINARY SHARES (‘000)	NUMBER OF ORDINARY SHARES (‘000)	\$’000	\$’000
Issued and paid up:				
At beginning and end of the year	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.

## 19 RESERVES

### Merger reserve

Merger reserve represents the difference between the nominal amount of the share capital of the subsidiaries at the date when they were acquired by the Company and the nominal amount of the share capital issued as consideration for the acquisition using the principles of merger accounting applicable to entities under common control.

### Capital reserve

Capital reserve represents equity-settled shares given to employees by the directors of Typha Holdings Pte. Ltd., ultimate holding company, to recognise and reward the employees for their past contributions and services. The reserve is made up of cumulative market value of shares given to the employees at grant date over the moratorium period commencing from the award of shares to these employees.

## 20 REVENUE

The Group derives its revenue from the transfer of services over time in the following major lines. This is consistent with revenue information that is disclosed for each reportable segment under SFRS(I) 8 (Note 28).

	GROUP	
	2020	2019
	\$’000	\$’000
Over time:		
Engineering, procurement and construction contracts	53,935	57,824
Operations and maintenance services	13,126	13,526
	67,061	71,350

The following table shows the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied (or partially unsatisfied) as at the end of the reporting period.

## NOTES TO FINANCIAL STATEMENTS

March 31, 2020

### 20 REVENUE (CONT'D)

	GROUP	
	2020	2019
	\$'000	\$'000
Engineering, procurement and construction contracts	257,705	120,225

Management expects that 34% (2019 : 55%) of the transaction price allocated to the unsatisfied contracts as of March 31, 2020 will be recognised as revenue during the next reporting period amounting to \$88,862,000 (2019 : \$66,401,000). Of the remaining 66% (2019 : 45%), \$52,348,000 (2019 : \$39,596,000) will be recognised as revenue in the 2022 financial year, \$31,592,000 in the 2023 financial year and \$28,301,000 in each of the 2024 to 2026 financial years.

### 21 OTHER INCOME

	GROUP	
	2020	2019
	\$'000	\$'000
Government grant	210	139
Interest income	99	70
Others	75	166
	384	375

### 22 FINANCE COSTS

	GROUP	
	2020	2019
	\$'000	\$'000
Interest on:		
Borrowings	93	81
Finance leases	—	16
Lease liabilities	48	—
	141	97

# NOTES TO FINANCIAL STATEMENTS

March 31, 2020

## 23 INCOME TAX

	GROUP	
	2020	2019
	\$'000	\$'000
Current tax expense	147	470
Deferred tax expense	75	176
Under (Over) provision of current tax in prior years	17	(1)
	239	645

Domestic income tax is calculated at 17% (2019 : 17%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The total charge for the year can be reconciled to the accounting profit as follows:

	GROUP	
	2020	2019
	\$'000	\$'000
Profit before tax	661	2,827
Income tax expense calculated at statutory rate	112	481
Non-deductible items	153	248
Under (Over) provision of current tax in prior years	17	(1)
Tax exempt income	(36)	(60)
Tax rebate	(16)	(1)
Others	9	(22)
	239	645

## NOTES TO FINANCIAL STATEMENTS

March 31, 2020

### 24 PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging (crediting):

	GROUP	
	2020	2019
	\$'000	\$'000
Employee benefits expenses (including directors' remuneration)	13,939	15,162
Cost of defined contribution plans included in employee benefits expenses	697	692
(Gain) Loss on disposal of property, plant and equipment	(9)	42
Loss on disposal of financial assets at fair value through profit or loss	17	—
Net foreign exchange (gains) losses <sup>(1)</sup>	(23)	4
Expenses relating to short-term leases	1,151	—
Payment recognised as an expense during the year:		
- minimum lease payments under operating leases	—	1,159
Audit fees:		
- paid to auditors of the Company	72	65
- paid to other auditors	29	24

<sup>(1)</sup> Included in other operating expenses.

### 25 EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share ("EPS") attributable to the ordinary owners of the Company is based on the following data:

	GROUP	
	2020	2019
Profit for the year attributable to owners of the Company (\$'000)	315	2,220
Weighted average number of ordinary shares	268,657,813	268,657,813
EPS - Basic and diluted (cents)	0.12	0.83

There were no dilutive equity instruments for 2020 and 2019.

### 26 DIVIDENDS

In 2019, the Company declared and paid a final 1-tier tax exempt dividend of \$0.0025 per ordinary share amounting to \$671,645 for the financial year ended March 31, 2018 to the shareholders.

In 2020, the Company declared and paid a final 1-tier tax exempt dividend of \$0.0025 per ordinary share amounting to \$671,645 for the year ended March 31, 2019 to the shareholders.

Subsequent to March 31, 2020, the Company proposes a final 1-tier tax exempt dividend of \$0.0006 per ordinary share amounting to \$161,195 for the year ended March 31, 2020 to the shareholders. This dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.



# NOTES TO FINANCIAL STATEMENTS

March 31, 2020

## 27 OPERATING LEASE ARRANGEMENTS

### The Group as lessor

Disclosure required by SFRS(I) 16

Operating lease, in which the Group is the lessor, relate to a property owned by the Group with lease term of 2 years, with 2 years extension option. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

	GROUP 2020 \$'000
Maturity analysis of operating lease payments:	
Year 1	44

Disclosure required by SFRS(I) 1-17

The Group rents out a property under an operating lease. Rental income earned during the year ended March 31, 2019 is \$79,100.

At the end of the reporting period, the Group has contracted with a tenant for the following future minimum lease income:

	GROUP 2019 \$'000
Less than one year	76
In the second to fifth years inclusive	44
	120

### The Group as lessee

Disclosure required by SFRS(I) 16

At March 31, 2020, the Group is committed to \$230,000 for short-term leases.

Disclosure required by SFRS(I) 1-17

At the end of the reporting period, the Group has outstanding commitments under non-cancellable operating leases of warehouses, dormitories, offices and properties which fall due as follows:

	GROUP 2019 \$'000
Less than one year	493
In the second to fifth years inclusive	307
More than five year	1,284
	2,084

## NOTES TO FINANCIAL STATEMENTS

March 31, 2020

### 27 OPERATING LEASE ARRANGEMENTS (CONT'D)

Leases are negotiated for an average term of 1 to 27 years and rentals are fixed for the duration of the lease, except for the lease of properties which is based on the rental rates prevailing at the end of the reporting period. Under the terms of the lease for properties, rent is subject to potential adjustment each year based on the market rate at the date of revision.

### 28 SEGMENT INFORMATION

For purposes of resource allocation and assessment of segment performance, the Group's chief operating decision makers have focused on the business operating units which in turn 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*.

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 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.

#### Segment revenue and results

	GROUP	
	2020 \$'000	2019 \$'000
Revenue - EPC	53,935	57,824
Revenue - O&M	13,126	13,526
Total revenue	67,061	71,350
Gross profit - EPC	4,406	7,225
Gross profit - O&M	3,003	2,536
Total gross profit	7,409	9,761
Unallocated corporate expenses	(5,532)	(5,830)
Depreciation	(1,174)	(1,077)
Interest income	99	70
Finance costs	(141)	(97)
Profit before tax	661	2,827
Income tax	(239)	(645)
Profit for the year	422	2,182

Revenue reported above represents revenue generated from external customers. There were \$Nil inter-segment sales during the year (2019 : \$Nil).

## NOTES TO FINANCIAL STATEMENTS

March 31, 2020

### 28 SEGMENT INFORMATION (CONT'D)

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 2. Segment profit represents the profit earned by each segment without allocation of central administration costs, finance costs and income tax expenses. This is the measure reported to the chief operating decision makers for the purposes of resource allocation and assessment of segment performance.

#### Geographical information

The Group's activities are located primarily in Singapore. The geographical locations of the Group's customers and non-current assets are primarily in Singapore.

#### Information about major customers

Revenue derived from customers who individually account for 10% or more of the Group's revenue is detailed below:

	GROUP	
	2020	2019
	\$'000	\$'000
Customer A (EPC and O&M)	50,194	62,293

For the purposes of monitoring segment performance and allocating resources between segments, the Group's chief operating decision makers do not monitor the tangible, intangible and financial assets attributable to each segment.

### 29 INTERESTS IN A JOINT OPERATION

In July 2016, the Group entered into a material joint operation in Singapore for an engineering, procurement and construction project, Chye Joo-Sanli Joint Venture, to which it is entitled to 45.07% proportionate share of the assets, liabilities and profits.

### 30 EVENTS AFTER THE REPORTING PERIOD

- a) The Group entered into a joint venture agreement with a third party on July 28, 2020. Pursuant to the joint venture agreement, the Group shall have 51% interest in the joint venture. The joint venture will be principally engaged in carrying out the execution of electrical and instrumentation, controls and automation works of an Engineering, Procurement and Construction contract, and to pursue other similar business opportunities in Singapore and the ASEAN region.
- b) The Group received a revised payment claim on May 28, 2020 from a supplier for a project that was completed. The Group had responded on June 12, 2020 with request for clarification on the revisions.

The Group commenced the adjudication proceedings with Singapore Mediation Centre ("SMC") on July 15, 2020. Based on the adjudication application, the supplier claimed for an amount approximating US\$530,000 (S\$766,000) arising from the differences in opinion on the value of work performed and specific charges.

On July 29, 2020, the Group had received the adjudication determination made by SMC. The Adjudicator had decided in favour of the supplier. The Group shall pay the supplier the disputed amount of US\$530,000 (S\$766,000), the cost of the adjudication of S\$21,052 and the cost of contract works of US\$1,216,727 (S\$1,758,000). The cost of contract works was recognised in the consolidated financial statements for the year ended March 31, 2020. The Group had made the above payments to the supplier on August 6, 2020.

## NOTES TO FINANCIAL STATEMENTS

March 31, 2020

### 30 EVENTS AFTER THE REPORTING PERIOD (CONT'D)

- c) Covid-19 pandemic continues to have a pervasive impact across many sectors, including the water and waste management industry in which the Group operates. The pandemic's disruptions to the Group's operations include:
- A temporary interruption in the supply chain in the last quarter of the year ended March 31, 2020, due to delayed shipments of materials from China following the country's implementation of pandemic containment safety measures;
  - A halt in Singapore operations for the Engineering, Procurement and Construction segment, following the enforcement of Circuit Breaker lockdown measures in April and May 2020, though the Group has been able to continue activities for the Operations and Maintenance segment during the Circuit Breaker period as these are considered essential services as designated by the Singapore government; and
  - Disruption in manpower due to pandemic's effect on the foreign worker community in Singapore, and the subsequent counter measures put in place by the Singapore government, which include movement restrictions and quarantine measures.

The Group's supply chain has since been restored and the Group has been able to progressively resume operations. The Group will continue to manage manpower to successfully execute projects while ensuring safety and health of its staffs.

Management expects the pandemic to impact the Group's financial performance for the upcoming financial year ending March 31, 2021. Notwithstanding this, management has assessed that the Group is able to maintain sufficient liquidity to enable it to continue as a going concern for the next twelve months from the end of the reporting period. Management will continue to assess the impact of the pandemic on the Group.

## STATISTICS OF SHAREHOLDINGS

As at 21 August 2020

Class of shares:	Ordinary shares
No. of issued shares:	268,657,813
Voting rights:	One vote per ordinary share
No. of treasury shares:	Nil
No. of subsidiary holdings:	Nil

## DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	0	0.00	0	0.00
100 - 1,000	64	9.58	56,300	0.02
1,001 - 10,000	300	44.91	1,591,200	0.59
10,001 - 1,000,000	291	43.56	21,404,278	7.97
1,000,001 AND ABOVE	13	1.95	245,606,035	91.42
<b>TOTAL</b>	<b>668</b>	<b>100.00</b>	<b>268,657,813</b>	<b>100.00</b>

## TWENTY LARGEST SHAREHOLDERS

NO.	NAME OF SHAREHOLDERS	NO. OF SHARES	%
1.	TYPHA HOLDINGS PTE. LTD.	110,288,509	41.05
2.	PEK KIAN BOON	37,734,912	14.05
3.	VANDA 1 INVESTMENTS PTE. LTD.	21,401,689	7.97
4.	RAFFLES NOMINEES (PTE) LIMITED	14,383,200	5.35
5.	CITIBANK NOMINEES SINGAPORE PTE LTD	13,723,475	5.11
6.	KEW BOON KEE	13,282,675	4.94
7.	SIM HOCK HENG	13,282,675	4.94
8.	JEREMY LEE SHENG POH	8,846,900	3.29
9.	DBS NOMINEES (PRIVATE) LIMITED	6,102,500	2.27
10.	LIU CHANG	2,398,900	0.89
11.	OCBC SECURITIES PRIVATE LIMITED	1,457,600	0.54
12.	CHAN KOK HIANG	1,445,000	0.54
13.	CHUA BOON TECK	1,258,000	0.47
14.	CHANG WEI MENG (ZHANG WEIMING)	800,000	0.30
15.	UOB KAY HIAN PRIVATE LIMITED	797,500	0.30
16.	TOH CHIEW KHIM	675,000	0.25
17.	MAYBANK KIM ENG SECURITIES PTE. LTD.	673,700	0.25
18.	CHEN SHUEH SY	520,000	0.19
19.	PHILLIP SECURITIES PTE LTD	447,300	0.17
20.	KUAH HONG SIM	400,000	0.15
<b>TOTAL</b>		<b>249,919,535</b>	<b>93.02</b>

## STATISTICS OF SHAREHOLDINGS

As at 21 August 2020

### SHAREHOLDINGS HELD IN THE HANDS OF PUBLIC

Based on the information available to the Company as at 21 August 2020, approximately 17.01% of the issued ordinary shares of the Company is held by the public and therefore, Rule 723 of the Catalyst Rules is complied with.

### SUBSTANTIAL SHAREHOLDERS

NO.	NAME OF SHAREHOLDERS	DIRECT INTEREST		DEEMED INTEREST	
		NO. OF SHARES	%	NO. OF SHARES	%
1.	Typha Holdings Pte. Ltd. <sup>(1)</sup>	110,288,509	41.05	–	–
2.	Vanda 1 Investments Pte. Ltd. <sup>(2)</sup>	21,401,689	7.97	–	–
3.	ICH Gemini Asia Growth Fund Pte. Ltd.	13,600,000	5.06	–	–
4.	Pek Kian Boon	37,734,912	14.05	–	–
5.	Sim Hock Heng <sup>(1)</sup>	13,282,675	4.94	110,288,509 <sup>(1)</sup>	41.05 <sup>(1)</sup>
6.	Lee Tien Chiat <sup>(1)</sup>	13,282,675	4.94	110,288,509 <sup>(1)</sup>	41.05 <sup>(1)</sup>
7.	Kew Boon Kee <sup>(1)</sup>	13,282,675	4.94	110,288,509 <sup>(1)</sup>	41.05 <sup>(1)</sup>
8.	Heliconia Capital Management Pte. Ltd. <sup>(2)</sup>	–	–	21,401,689 <sup>(2)</sup>	7.97 <sup>(2)</sup>
9.	Heliconia Holdings Pte. Ltd. <sup>(2)</sup>	–	–	21,401,689 <sup>(2)</sup>	7.97 <sup>(2)</sup>
10.	Seletar Fund Investments Pte Ltd <sup>(2)</sup>	–	–	21,401,689 <sup>(2)</sup>	7.97 <sup>(2)</sup>
11.	Fullerton Fund Investments Pte Ltd <sup>(2)</sup>	–	–	21,401,689 <sup>(2)</sup>	7.97 <sup>(2)</sup>
12.	Temasek Holdings (Private) Limited <sup>(2)</sup>	–	–	21,401,689 <sup>(2)</sup>	7.97 <sup>(2)</sup>

#### Notes:

<sup>(1)</sup> Mr Sim Hock Heng, Mr Lee Tien Chiat and Mr Kew Boon Kee are deemed interested in the 110,288,509 shares held by Typha Holdings Pte. Ltd. ("Typha Holdings"). Each Executive Director owns 33.3% shares of Typha Holdings.

<sup>(2)</sup> Heliconia Capital Management Pte. Ltd., Heliconia Holdings Pte. Ltd., Seletar Fund Investments Pte Ltd, Fullerton Fund Investments Pte Ltd and Temasek Holdings (Private) Limited are deemed interested in the 21,401,689 shares held by Vanda 1 Investments Pte. Ltd..

## NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT** the Annual General Meeting of SANLI ENVIRONMENTAL LIMITED (the “**Company**”) will be held by way of live audio-visual webcast and live audio-only stream on Friday, 25 September 2020 at 10.00 a.m. (Singapore Time), to transact the following business:

### AS ORDINARY BUSINESS:

- |    |  |                     |
|----|--|---------------------|
| 1. | To receive and adopt the Directors’ Statement and Audited Financial Statements for the financial year ended 31 March 2020 together with the Independent Auditor’s Report thereon.                | <b>Resolution 1</b> |
| 2. | To approve a tax exempt (1-tier) final dividend of 0.06 Singapore cent per share for the financial year ended 31 March 2020.   | <b>Resolution 2</b> |
| 3. | To approve Directors’ fees of S\$121,000 (FY2019 : S\$121,000) for the financial year ended 31 March 2020.   | <b>Resolution 3</b> |
| 4. | To re-elect Mr Ng Lip Chi, Lawrence, a Director retiring pursuant to Regulation 108 of the Company’s Constitution.<br>[See Explanatory Note (a)]   | <b>Resolution 4</b> |
| 5. | To re-elect Mr Chan Hock Leong, a Director retiring pursuant to Regulation 108 of the Company’s Constitution.<br>[See Explanatory Note (b)]  | <b>Resolution 5</b> |
| 6. | To note that Ms Elaine Beh Pur-Lin, will be retiring pursuant to Regulation 108 of the Company’s Constitution and she will not be seeking re-election at this AGM.<br>[See Explanatory Note (c)] |                     |
| 7. | To re-elect Mr Chua Teck Huat, a Director retiring pursuant to Regulation 118 of the Company’s Constitution.<br>[See Explanatory Note (d)]   | <b>Resolution 6</b> |
| 8. | To re-appoint Messrs Deloitte & Touche LLP, as auditors of the Company and to authorise the Directors to fix their remuneration.   | <b>Resolution 7</b> |
| 9. | To transact any other ordinary business that may properly be transacted at an Annual General Meeting.  |                     |

### AS SPECIAL BUSINESS:

To consider and, if thought fit, to pass the following Ordinary Resolutions, with or without modifications:-

- |     |   |                     |
|-----|---|---------------------|
| 10. | <u>Authority to allot and issue shares and convertible securities</u>   | <b>Resolution 8</b> |
|     | <p>“That pursuant to Section 161 of the Companies Act, Cap. 50 (the “<b>Act</b>”) and Rule 806 of the Listing Manual (Section B: Rules of Catalist) ( the “<b>Catalist Rules</b>”) of the Singapore Exchange Securities Trading Limited ( the “<b>SGX-ST</b>”), the Directors of the Company be authorised and empowered to:</p> <p>(a) (i) allot and issue shares in the capital of the Company (“<b>Shares</b>”) whether by way of rights, bonus or otherwise; and/or</p> |                     |

## NOTICE OF ANNUAL GENERAL MEETING

- (ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require Shares to be issued, including but not limited to the creation or issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into Shares; and/or
- (iii) issue additional Instruments arising from adjustments made to the number of Instruments previously issued in the event of rights, bonus or capitalisation issues;

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and

- (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors of the Company while this Resolution was in force, provided always that:
  - (i) the aggregate number of Shares to be allotted and issued (including Shares to be issued pursuant to the Instruments made or granted) pursuant to this Resolution shall not exceed 100% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (ii) below), of which the aggregate number of Shares to be allotted and issued (including Shares to be issued pursuant to the Instruments made or granted) other than on a pro-rata basis to the Shareholders of the Company shall not exceed 50% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (ii) below);
  - (ii) (subject to such manner of calculation and adjustments as may be prescribed by the SGX-ST) for the purpose of determining the percentage number of Shares that may be issued (including Shares to be issued pursuant to the Instruments made or granted) under sub-paragraph (i) above, the total number of issued Shares (excluding treasury shares and subsidiary holdings) shall be based on the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the Company at the time of the passing of this Resolution, after adjusting for:
    - i. new Shares arising from the conversion or exercise of any convertible securities;
    - ii. new Shares arising from exercising share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this Resolution, provided that the share options or share awards were granted in compliance with Part VIII of Chapter 8 of the Catalist Rules; and
    - iii. any subsequent bonus issue, consolidation or subdivision of shares;
- (c) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Catalist Rules for the time being in force (unless such compliance has been waived by the SGX-ST) and all applicable legal requirements under the Act and the Constitution of the Company for the time being; and
- (d) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier."



## NOTICE OF ANNUAL GENERAL MEETING

### 11. Proposed Adoption of Share Buy-Back Mandate

### Resolution 9

That:

- (a) for the purposes of the Companies Act, Cap. 50 of Singapore ("**Companies Act**"), the exercise by the Directors of all the powers of the Company to purchase or otherwise acquire Shares not exceeding in aggregate the Maximum Limit (defined below), at such price(s) as may be determined by the directors of the Company from time to time up to the Maximum Price (defined below), whether by way of:
  - (i) on-market purchases ("**Market Purchase(s)**") transacted on the SGX-ST through the ready market or, as the case may be, any other stock exchange on which shares may for the time being be listed and quoted, the SGX-ST through one or more duly licensed stockbrokers appointed by the Company for the purpose; and/or
  - (ii) off-market purchases ("**Off-Market Purchase(s)**") transacted otherwise on the SGX-ST, in accordance with an equal access scheme (as defined in Section 76C of the Company Act);

and otherwise in accordance with all other laws and regulations, including but not limited to, the provisions of the Companies Act and the Catalist Rules as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally ("**Share Buy-Back Mandate**");
- (b) unless varied or revoked by the Company in a general meeting, the authority conferred on the Directors pursuant to the Share Buy-Back Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the passing of this resolution relating to the Share Buy-Back Mandate and expiring on the earliest of:
  - (i) the date on which the next annual general meeting of the Company is held or required by law to be held;
  - (ii) the date on which the authority conferred by the Share Buy-Back Mandate is revoked or varied by the shareholders of the Company in a general meeting; or
  - (iii) the date on which the purchases or acquisitions of Shares pursuant to the Share Buy-Back Mandate are carried out to the full extent mandated,

(the "**Relevant Period**");
- (c) in this resolution relating to the Share Buy-Back Mandate:

"**Average Closing Price**" means the average of the closing market prices of the Shares over the last five (5) Market Days on SGX-ST, on which transactions in the Shares were recorded, immediately preceding the day of the Market Purchase by the Company or, as the case may be, Offer Date (Defined below) pursuant to the Off-Market Purchase, and deemed to be adjusted for any corporate action that occurs during the relevant five (5) Market Day period and the day on which the purchases are made;

"**Offer Date**" means the day on which the Company announces its intention to make an offer for an off-market purchase, stating the purchase price (which shall not be more than the Maximum Price (Defined below) calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase;

"**Market Day**" means a day on which the SGX-ST is open for trading in securities;

## NOTICE OF ANNUAL GENERAL MEETING

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**"Maximum Limit"** means that number of Shares representing not more than 10% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) as at the date of the resolution passed by Shareholders for the Share Buy-Back Mandate, unless the Company has, at any time during the Relevant Period, reduced its share capital in accordance with the applicable provisions of the Companies Act, in which event the total number of issued Shares shall be taken to be the total number of issued Shares as altered after such capital reduction (excluding any treasury shares and subsidiary holdings as may be held by the Company from time to time);

**"Maximum Price"** in relation to a Share to be purchased, means the purchase price (excluding applicable brokerage, stamp duties, commission, applicable goods and services tax and other related expenses) not exceeding:

- (i) in the case of a Market Purchase, 105% of the Average Closing Price; and
- (ii) in the case of an Off-Market Purchase pursuant to an equal access scheme, 120% of the Average Closing Price; and
- (d) any Share that is purchased or otherwise acquired by the Company pursuant to the Share Buy-Back Mandate shall, at the discretion of the Directors of the Company, either be cancelled or held in treasury and dealt with in accordance with the Companies Act; and
- (e) the Directors and/or any of them be and are hereby authorised to complete and do all such acts and things (including, without limitation, executing such documents as may be required and to approve any amendments, alterations or modifications to any documents) as they and/or he may consider desirable, expedient or necessary to give effect to the transactions contemplated and/or authorised by this resolution relating to the Share Buy-Back Mandate.

By Order Of The Board

Goh Siew Geok (Ms)  
Company Secretary  
10 September 2020

# NOTICE OF ANNUAL GENERAL MEETING

## Explanatory Notes:

- (a) In relation to Ordinary Resolution No. 4, Mr Ng Lip Chi, Lawrence, will be retiring from office at the AGM pursuant to Regulation 108 of the Constitution of the Company, and will be standing for re-election at the AGM. Please refer to the sections on "Board of Directors", "Corporate Governance Report" and "Additional Information On Directors Seeking Re-Election" of the Company's 2020 Annual Report for more information relating to Mr Ng. There are no relationships (including immediate family relationships) between Mr Ng and other directors of the Company. Mr Ng will, upon re-election, continue to serve as the Chairman of the Board, the Chairman of the Remuneration Committee, a member of the Nominating Committee and the Audit Committee. Mr Ng is considered independent for purposes of Rule 704(7) of the Catalyst Rules.
- (b) In relation to Ordinary Resolution No. 5, Mr Chan Hock Leong, will be retiring from office at the AGM pursuant to Regulation 108 of the Constitution of the Company, and will be standing for re-election at the AGM. Please refer to the sections on "Board of Directors", "Corporate Governance Report" and "Additional Information On Directors Seeking Re-Election" of the Company's 2020 Annual Report for more information relating to Mr Chan. There are no relationships (including immediate family relationships) between Mr Chan and other directors of the Company. Mr Chan will, upon re-election, continue to serve as the Chairman of the Audit Committee, a member of the Nominating Committee and the Remuneration Committee. Mr Chan is considered independent for purposes of Rule 704(7) of the Catalyst Rules.
- (c) Item 6 above is to note the retirement of Ms Elaine Beh Pur-Lin, who is retiring pursuant to Regulation 108 of the Company's Constitution and not seeking re-election. Accordingly, she shall retire as the Independent Director, Chairman of the Nominating Committee and a member of the Audit Committee and the Remuneration Committee at the conclusion of this AGM.
- (d) In relation to Ordinary Resolution No. 6, Mr Chua Teck Huat, will be retiring from office at the AGM pursuant to Regulation 118 of the Constitution of the Company, and will be standing for re-election at the AGM. Please refer to the sections on "Board of Directors", "Corporate Governance Report" and "Additional Information On Directors Seeking Re-Election" of the Company's 2020 Annual Report for more information relating to Mr Chua. There are no relationships (including immediate family relationships) between Mr Chua and other directors of the Company. Mr Chua will, upon re-election, continue to serve as Chief Executive Officer of the Company.

## Statement Pursuant to Regulation 74 of the Company's Constitution

### The effect of the resolutions under the heading "Special Business" in this Notice of the AGM are:

- (1) The Ordinary Resolution No. 8, if passed, will empower the Directors of the Company from the date of this Meeting until the date of the next AGM of the Company, or the date by which the next AGM of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue Shares, make or grant Instruments convertible into Shares and to issue Shares pursuant to such instruments, up to a number not exceeding, in total, 100% of the total number of issued shares (excluding treasury shares and subsidiary holdings), of which up to 50% may be issued other than on a pro-rata basis to Shareholders.

For the purpose of determining the aggregate number of shares that may be issued, the percentage of issued shares in the capital of the Company will be calculated based on the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time this Ordinary Resolution is passed after adjusting for new Shares arising from the conversion or exercise of the Instruments or any convertible securities, the exercise of share options or the vesting of share awards outstanding or subsisting at the time when this Ordinary Resolution is passed and any subsequent consolidation or subdivision of Shares.

- (2) The Ordinary Resolution No. 9, if passed, will empower the Directors during the Relevant Period, to purchase or otherwise acquire, by way of Market Purchases or Off-Market Purchases, up to 10% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) as at the date of the resolution passed by Shareholders for the Share Buy-Back Mandate as set out in the Appendix. The Company may use internal sources of funds or borrowings or a combination of both to finance the Company's purchase or acquisition of the Shares pursuant to the Share Buy-back Mandate. The Directors do not propose to exercise the Share-Buy Mandate in a manner and to such extent that it would have a material adverse effect on the financial position, liquidity and/or the capital adequacy of the Group.

# NOTICE OF ANNUAL GENERAL MEETING

## NOTES:

### 1. MEASURES TO MINIMISE RISK OF COVID-19 TRANSMISSION

#### Participation in the AGM via live audio-visual webcast and live audio-only stream

- (i) The AGM is being convened, and will be held, by live audio-visual webcast and live audio-only stream pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. Printed copies of this Notice of AGM, Annual Report of the Company for the financial year ended 31 March 2020 ("**Annual Report**"), Appendix on Share Buy-Back Mandate and the proxy form will not be despatched to members. Instead, this Notice of AGM, Annual Report, Appendix on Share Buy-Back Mandate and the proxy form will be published on the Company's website at <https://www.sanli.com.sg> and on the SGX website at <https://www.sgx.com/securities/company-announcements>.
- (ii) Shareholders will NOT be able to attend the AGM in person. All shareholders or their corporate representatives (in the case of shareholders which are legal entities) will be able to participate in the AGM proceedings by accessing a live audio-visual webcast and live audio-only stream. To do so, shareholders are required to pre-register their participation in the AGM ("**Pre-registration**") at this link: <https://sg.conveneagm.com/sanliagm2020> ("**AGM Registration and Q&A Link**") by **10.00 a.m. on 22 September 2020** ("**Registration Deadline**") for verification of their status as shareholders (or the corporate representatives of such shareholders).
- (iii) Upon successful verification, authenticated shareholders or its corporate representative will receive an email by **10.00 a.m. on 24 September 2020**. The email will contain instructions on how to access the live audio-visual webcast and live audio-only stream of the AGM proceedings. Shareholders or corporate representative must not forward the email to other persons who are not Shareholders and who are not entitled to attend the AGM. This is to avoid any technical disruption or overload to the live audio-visual webcast or audio-only stream. Shareholders who have pre-registered by the Registration Deadline in accordance with paragraph (ii) above but do not receive the email by **10.00 a.m. on 24 September 2020**, should contact the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd. at [srs.teamc@boardroomlimited.com](mailto:srs.teamc@boardroomlimited.com) or at +65 6536 5355.

### 2. VOTING BY PROXY

- (i) Shareholders who wish to vote on any or all of the resolutions at the AGM must appoint the Chairman of the Meeting as their proxy to do so on their behalf. The proxy form for the AGM may be accessed at the Company's website at <https://www.sanli.com.sg>.
- (ii) The duly executed proxy form must be deposited not less than 72 hours before the time appointed for the holding of the AGM.
- (iii) All the resolutions proposed at the AGM will be voted on by way of poll.

#### Submission of Proxy Forms to Vote

Members (including shareholders which are legal entities) are strongly encouraged to exercise their voting rights by submitting their Proxy Forms and, if doing so, must appoint the "**Chairman of the Meeting**" to act as their proxy and must specifically direct how their votes at the AGM are to be cast.

The Proxy Form, duly completed and signed, must be deposited:

- (i) If sent by post, must be deposited at the Company's Share Registrar's office at Boardroom Corporate & Advisory Services Pte. Ltd., 50 Raffles Place #32-01 Singapore Land Tower Singapore 048623; or
- (ii) if submitted by electronic means, must be sent by email to [srs.teamc@boardroomlimited.com](mailto:srs.teamc@boardroomlimited.com) ;

**not less than seventy-two (72) hours before the time appointed for the holding of the AGM.**

Persons who would have been able to be appointed as proxies by relevant intermediaries (e.g. SRS investors) who wish to appoint the "Chairman of the Meeting" as their proxy should approach their relevant intermediaries (e.g. SRS Operators) to submit their votes **at least seven (7) working days before the AGM**. Such persons shall also be entitled to participate in the live audio-visual webcast and live audio-only stream and to submit questions in relation to the resolutions. "**Relevant intermediary**" has the meaning ascribed to it in section 181 of the Singapore Companies Act, Chapter 50.

# NOTICE OF ANNUAL GENERAL MEETING

## 3. SUBMISSION OF QUESTIONS PRIOR TO THE AGM

- (i) Shareholders may submit questions related to the resolutions to be tabled at the AGM during Pre-registration via the AGM Registration and Q&A Link by **10.00 a.m. on 22 September 2020** so that they may be addressed during the AGM proceedings.
- (ii) The Company shall address relevant and substantial questions (as may be determined by the Company in its sole discretion) received. The Company will publish the minutes of the AGM on SGXNet and the Company's website within one month after the date of AGM.

### Important reminder

Due to the constantly evolving COVID-19 situation, the Company may be required to change its AGM arrangements at short notice. Shareholders are advised to regularly check the Company's website or announcements released on SGXNET for updates on the AGM. Further, in light of the current COVID-19 measures, which may make it difficult for shareholders to submit completed proxy forms by post, shareholders are strongly encouraged to submit completed proxy forms electronically via email.

### Personal Data Privacy

Where a member of the Company submits (a) an application to pre-register to participate in the AGM via the live audio-visual webcast and live audio-only stream, (b) questions relating to the resolutions to be tabled for approval at the AGM, and/or (c) a Proxy Form to vote at the AGM and/or any adjournment thereof, the member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purposes of (a) processing the member's application to pre-register to participate in the AGM via the live audio-visual webcast and live audio-only stream and providing the member with any technical assistance where possible, (b) addressing any selected questions submitted by the member and following up with the member where necessary, (c) the processing and administration by the Company (or its agents or service providers) of the proxy appointed for the AGM (including any adjournment thereof), and (d) the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, "**Purposes**"), and (ii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's action or omission. Photographic, sound and/or video recordings of the AGM may be made by the Company for record keeping and to ensure the accuracy of the minutes prepared of the AGM. Accordingly, the personal data of a member (such as his name, his presence at the AGM and any questions he may raise or motions he propose/second) may be recorded by the Company for such purpose.

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.

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# SANLI ENVIRONMENTAL LIMITED

Company Registration No. 201705316M  
(Incorporated in the Republic of Singapore)

## PROXY FORM

(Please see notes overleaf before completing this Form)

### IMPORTANT:

1. Members who wish to vote on any or all of the resolutions at the Annual General Meeting must appoint the Chairman of the Meeting as their proxy to do so on their behalf.
2. Members can access the Notice of Annual General Meeting and Proxy Form via electronic means on the Company's website at <https://www.sanli.com.sg> and on the SGX website at <https://www.sgx.com/securities/company-announcements>.
3. For investors who have used their CPF/SRS monies to buy shares in the capital of Sanli Environmental Limited, this proxy form is not valid for use and shall be ineffective for all intent and purposes if used or purported to be used by them. CPF/SRS investors who wish to appoint the Chairman of the Meeting as their proxy should contact their respective CPF Agent Banks or SRS Operators to submit their votes by **5.00 p.m** on **16 September 2020**.

I/We \_\_\_\_\_ (Name),

(NRIC/Passport/Co. reg. No.) \_\_\_\_\_

Of \_\_\_\_\_ (Address)

being a \*member/members of Sanli Environmental Limited (the "**Company**"), hereby appoint the Chairman of the Meeting as \*my/our proxy, to attend, speak and vote for \*me/us on \*my/our behalf, at the Annual General Meeting ("**AGM**") of the Company to be held by way of live audio-visual webcast and live audio-only stream on Friday, 25 September 2020 at 10.00 a.m. and at any adjournment thereof.

Voting will be conducted by poll. If you wish the Chairman of the AGM as your proxy to cast all your votes "for" or "against" or "abstain" from voting on a resolution, please indicate with an "**X**" in the "For" or "Against" or "Abstain" box provided in respect of that resolution. Alternatively, please indicate the number of shares that the Chairman of the AGM as your proxy is directed to vote "For" or "Against" or to "Abstain" from voting in respect of that resolution. **In the absence of specific directions in respect of a resolution, the appointment of the Chairman of the AGM as your proxy for that resolution will be treated as invalid.**

NO.	ORDINARY RESOLUTIONS	FOR	AGAINST	ABSTAIN
1.	To receive and adopt the Directors' Statement and Audited Financial Statements for the financial year ended 31 March 2020 together with the Independent Auditor's Report thereon. <b>(Resolution 1)</b>			
2.	To approve a tax exempt (1-tier) final dividend of 0.06 Singapore cent per share for the financial year ended 31 March 2020. <b>(Resolution 2)</b>			
3.	To approve Directors' fees of S\$121,000 for the financial year ended 31 March 2020. <b>(Resolution 3)</b>			
4.	To re-elect Mr Ng Lip Chi, Lawrence, a Director retiring pursuant to Regulation 108 of the Company's Constitution. <b>(Resolution 4)</b>			
5.	To re-elect Mr Chan Hock Leong, a Director retiring pursuant to Regulation 108 of the Company's Constitution. <b>(Resolution 5)</b>			
6.	To re-elect Mr Chua Teck Huat, a Director retiring pursuant to Regulation 118 of the Company's Constitution. <b>(Resolution 6)</b>			
7.	To re-appoint Messrs Deloitte & Touche LLP, as auditors of the Company and to authorise the Directors to fix their remuneration. <b>(Resolution 7)</b>			
8.	To authorise Directors to allot and issue shares and convertible securities. <b>(Resolution 8)</b>			
9.	To approve the proposed adoption of the Share Buy-back Mandate. <b>(Resolution 9)</b>			

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2020.

\_\_\_\_\_  
Signature(s) of Shareholder(s)/Common Seal of Corporate Shareholder

\* Delete where inapplicable

TOTAL NUMBER OF SHARES IN:	NO. OF SHARES
(a) CDP Register	
(b) Register of Members	

**IMPORTANT:** Please read notes for this Proxy Form

#### Notes :

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register, you should insert that number. If you have Shares registered in your name in the Register of Members of the Company, you should insert that number. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number. If no number is inserted, this form of proxy will be deemed to relate to all the Shares held by you.

2. **Due to the current COVID-19 restriction orders in Singapore, a member will not be able to attend the Annual General Meeting in person. A member (whether individual or corporate) must appoint the Chairman of the Meeting as his/her/its proxy to attend, speak and vote on his/her/its behalf at the Annual General Meeting if such member wishes to exercise his/her/its voting rights at the Annual General Meeting.** Printed copies of the proxy form will not be despatched to members. Instead, the proxy form will be published on the Company's website at <https://www.sanli.com.sg> and on the SGX website at <https://www.sgx.com/securities/company-announcements>.

Where a member (whether individual or corporate) appoints the Chairman of the Meeting as his/her/its proxy, he/she/it must give specific instructions as to voting, or abstentions from voting, in respect of a resolution in the form of proxy, failing which the appointment of the Chairman of the Meeting as proxy for that resolution will be treated as invalid.

3. The Chairman of the Meeting as proxy, need not be a member of the Company.
4. The instrument appointing the Chairman of the Meeting as proxy must be submitted:
  - (i) If sent by post, must be deposited at the Company's Share Registrar's office at Boardroom Corporate & Advisory Services Pte. Ltd., 50 Raffles Place #32-01 Singapore Land Tower Singapore 048623; or
  - (ii) if submitted by electronic means, must be sent by email to [srs.teamc@boardroomlimited.com](mailto:srs.teamc@boardroomlimited.com);

**not less than 72 hours before the time appointed for the holding of the AGM.**

In view of the current Covid-19 situation and the related safe distancing measures which may make it difficult for members to submit completed proxy forms by post, members are strongly encouraged to submit completed proxy forms electronically via email.

5. The instrument appointing the Chairman of the Meeting as proxy must be under the hand of the appointer or of his/her attorney duly authorised in writing. Where the instrument appointing the Chairman of the Meeting as proxy is executed by a corporation, it must be executed under its common seal or under the hand of its officer or attorney duly authorised.
6. Where an instrument appointing the Chairman of the Meeting as proxy is signed on behalf of the appointer by an attorney, the letter or the power of attorney (or other authority) or a duly certified copy thereof shall (failing previous registration with the Company) if required by law, be duly stamped and be deposited at the Office, **not less than 72 hours before the time for holding the meeting or adjourned meeting** at which the person named in the instrument proposes to vote and in default the instrument of proxy shall not be treated as valid.
7. The Company shall be entitled to reject an instrument of proxy which is incomplete, improperly completed, illegible or where the true intentions of the appointer are not ascertainable from the instructions of the appointer specified on the instrument of proxy. In addition, in the case of Shares entered in the Depository Register, the Company may reject an instrument of proxy if the member, being the appointer, is not shown to have Shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the meeting, as certified by The Central Depository (Pte) Limited to the Company.

#### PERSONAL DATA PRIVACY

By submitting an instrument appointing the Chairman of the Meeting as a proxy, the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting.





ANNUAL REPORT 2020

# NEXT LEAP FORWARD



**SANLI ENVIRONMENTAL LIMITED**

(Incorporated in the Republic of Singapore on 27 February 2017)  
(Company Registration No. 201705316M)

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