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Issuer: Sanli Environmental Limited

Stock code: 1E3

Meeting details:

Date: 28 July 2023

Time: 10.00 a.m.

Venue: 28 Kian Teck Drive, Singapore 628845

Q1. For FY2023, revenue increased by 65% to \$106.4 million, with the Engineering, Procurement, and Construction (“EPC”) segment accounting for \$88.1 million while the Operations and Maintenance (“O&M”) segment contributing \$18.3 million.

As disclosed in the chairman’s message, the group’s current order book is \$346 million, with works extending to early 2027.

- (i) **Can management provide further insight into the factors driving the increased demand for EPC services from the group’s customers (and potential customers)?**
- (ii) **What is the customer acquisition strategy and what is the group’s competitive advantage?**
- (iii) **What are the opportunities, including any major tenders, in the next 12-18 months?**
- (iv) **Is the group still faced with any major supply chain disruptions or manpower shortage resulting from the pandemic?**
- (v) Enviro Plant & Engineering Pte. Ltd. (“EPE”), a wholly-owned subsidiary, specialises in providing comprehensive environmental engineering solutions for industrial clients in Singapore and Southeast Asia, encompassing water and wastewater treatment, air pollution control, and solid waste management. **Can management help shareholders understand EPE’s strategy to grow the environmental engineering business? What is EPE’s value proposition to customers and does it have a track record in the business?**
- (vi) Similarly, through Mag Chemical Pte. Ltd., the group has also ventured into the manufacturing sector by setting up a magnesium hydroxide slurry batching plant. **What is the profile of the target customer and what are the uses of magnesium hydroxide slurry? How much commercial due diligence has been carried out and what is management’s assessment of the size of the addressable market?**

Q2. In June 2023, the company entered into a sales and purchase agreement to acquire a property at 22 Chin Bee Drive Singapore 619870 for a purchase consideration of \$13.8 million. In the annual report, management has stated that the property will be set up as a dormitory for foreign employees. In the company's acquisition announcement, the company stated its intention to "consolidate the group's corporate office and workshops and house the company's foreign workers in a centralised location".

22 Chin Bee Drive is a 4-storey single user warehouse building with a 6-storey ancillary office and a 5-storey annex building with workers' dormitory. The total gross floor area is approximately 120,653 square feet.

Separately, on 17 July 2023, the group also announced the proposed disposal of 15 Kian Teck Drive for a consideration of \$2.8 million.

- (i) **Can management clarify the use of the proposed property to be acquired? In addition, will all of the group's operations be consolidated at 22 Chin Bee Drive?**
- (ii) **Are there any potential synergies or cost-saving benefits expected from consolidating the group's operations at 22 Chin Bee Drive?**
- (iii) **Are there also plans to sell 28 Kian Teck Drive?**

Separately, the seller, being a REIT, had valued the property at \$13.0 million as at 31 December 2022, with the valuation conducted by Knight Frank. Prior to Sanli M&E leasing the property from the vendor in March 2023, the property appears to have been vacant for years.

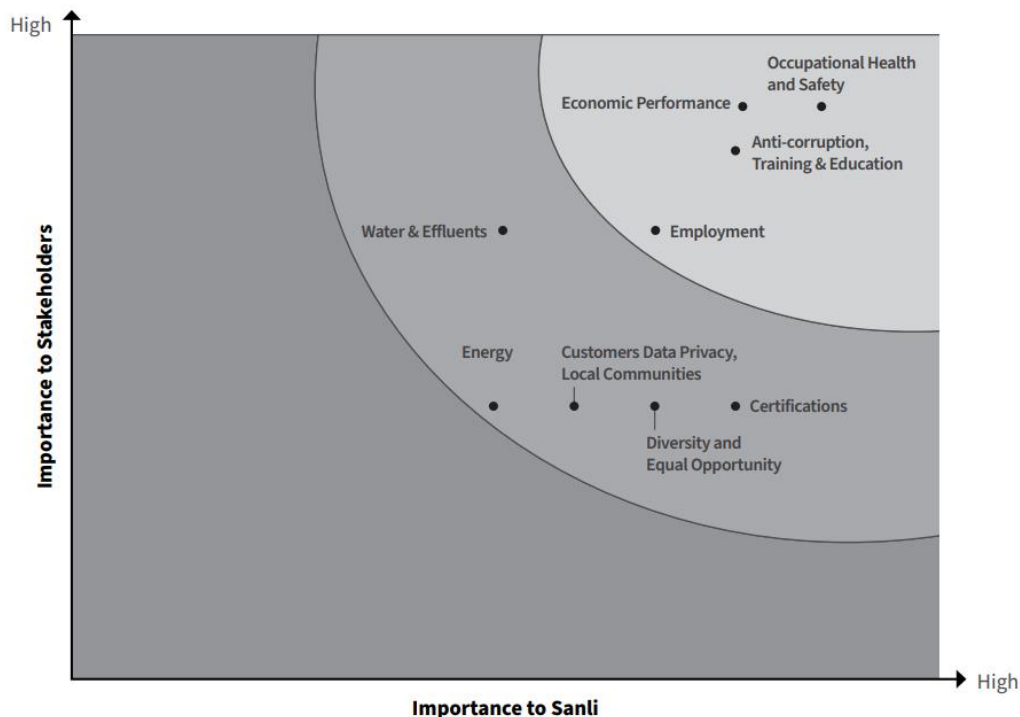
- (iv) **Can management provide information on the negotiation process with the seller of the property proposed for acquisition? Did the board approve the acquisition, including the consideration of \$13.8 million, when the seller had valued the property lower at \$13.0 million?**
- (v) **What criteria were considered when the company selected and appointed Centuray 99 Pte Ltd as the valuer for the property?**
- (vi) **Can management provide an estimate of the expected capital expenditure needed to fit out 22 Chin Bee Drive to meet the operational requirements of the group?**

Q3. As disclosed in the Sustainability report, the group has established a Sustainability committee comprising senior management including the Chief Financial Officer, Corporate General Manager and Group Health, Safety and Environmental Department Manager. The committee is responsible for driving the group's overarching sustainability strategy and channelling the implementation of sustainability initiatives in the day-to-day operations of business managers.

The board takes overall responsibility in overseeing and monitoring the group's sustainability management.

- (i) **Can the board provide further details regarding the roles and responsibilities of directors within the sustainability governance framework? Other than including sustainability on the agenda at board meetings, what specific actions or measures does the board undertake to actively drive, govern, and manage the sustainability function within the company?**

Following a materiality assessment, and leveraging inputs from stakeholders, the group has prioritised the material factors in a materiality matrix:



(Source: company annual report)

The group has established a Workplace, Health and Safety department which is responsible for ensuring that the safety measures which the group has put in place are adhered to. Details of such measures can be found on page 29.

For FY2024, the group has set a goal of zero incident of health, safety and environment non-conformity, accident and ill health and zero fatal accidents.

- (ii) **Is management reviewing its set of workplace, health and safety management policies and do the policies cover all subcontractors engaged by the group, ensuring comprehensive safety measures across the entire workforce?**
- (iii) **What is the level of training given to new employees; subcontractors; and even experienced employees at a new project/worksites?**
- (iv) **How does the board and management monitor the compliance of safety practices and policies within the group and among its subcontractors? Is there a system in place to regularly assess and enforce adherence to safety standards?**

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

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