



ELL Environmental Holdings Limited

強泰環保控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1395

CORPORATE PRESENTATION

October 2014

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COMPANY OVERVIEW

ELL Environmental Holdings Limited

We are a wastewater treatment services provider in Jiangsu Province, China.

We offer a one-stop approach to the provision of wastewater treatment services using the “Build – Operate – Transfer” (or BOT) model.

We cover the whole spectrum of activities :

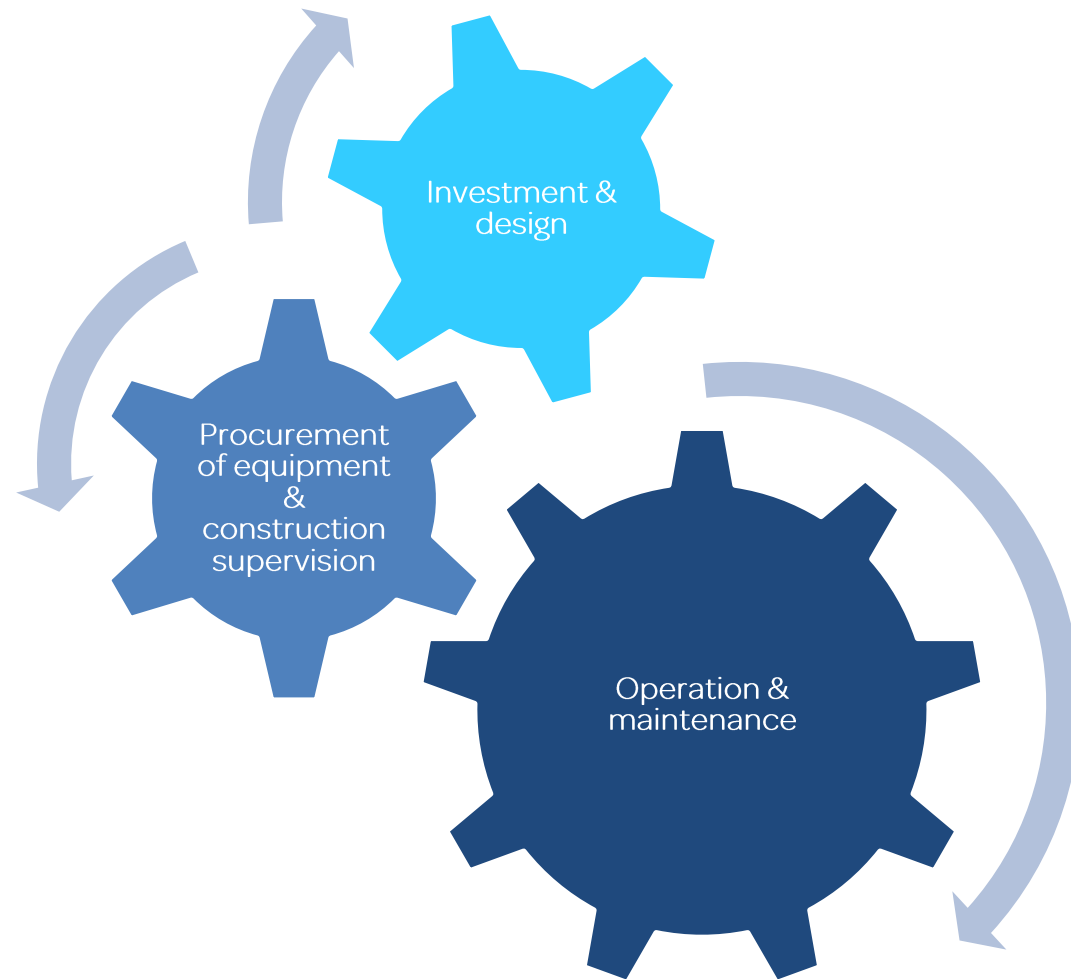
- Design of wastewater treatment facilities,
- Procurement of suitable equipment and materials,
- Supervision of their construction as well as the on-going operation and maintenance of the facilities throughout long-term concession periods.

Our projects capability can be adapted to suit the specific nature and requirements of our customers.

At the moment, we have three wastewater treatment facilities in operation which are all located within Jiangsu Province, China. These facilities treat municipal, industrial and heavy metal wastewater.

Integrated Business Model

We offer a one-stop approach to the provision of wastewater treatment services including the investment, design, construction and operation of wastewater treatment facilities.



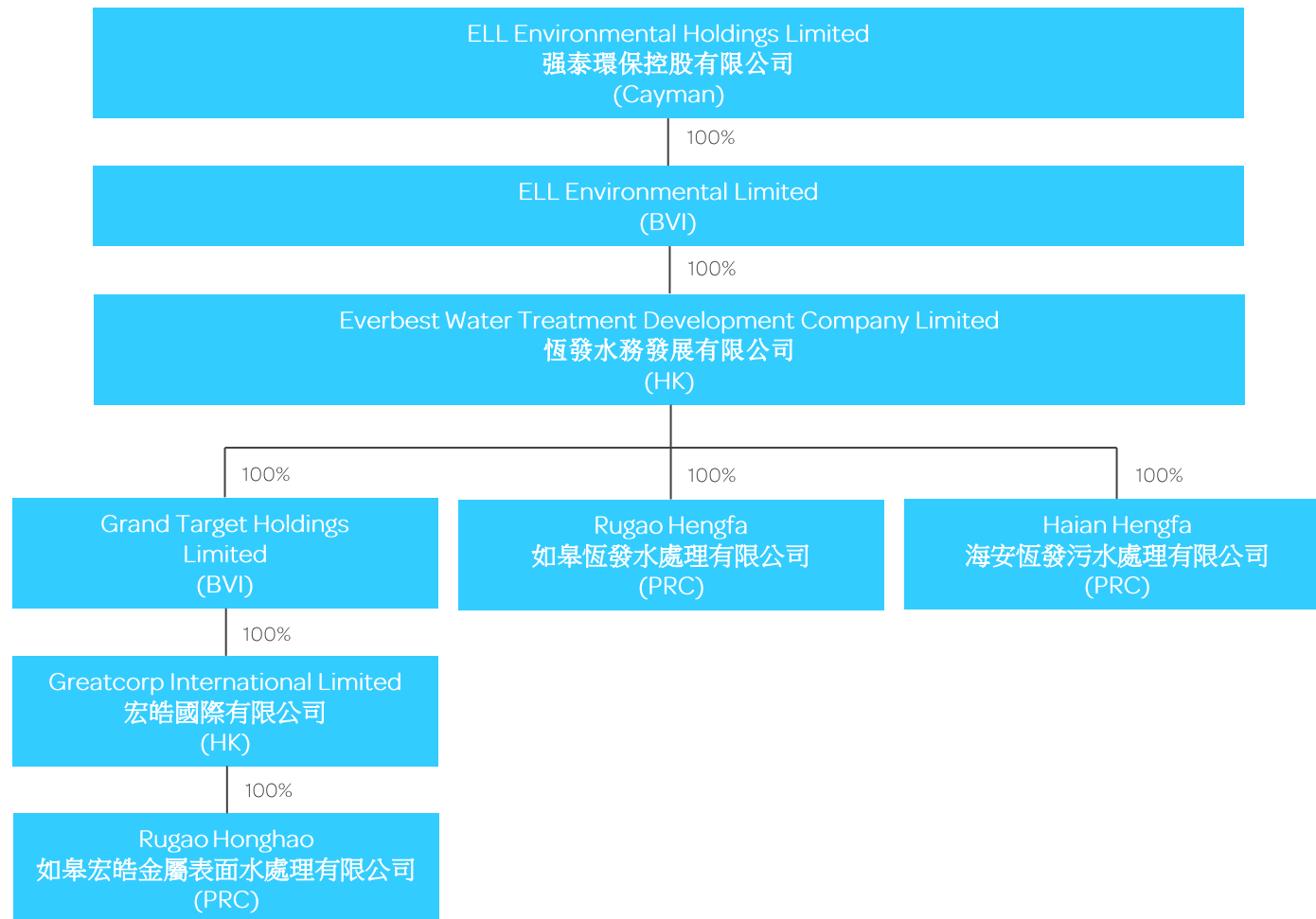
Milestones

Year	Milestone
2013	Acquired the entire issued share capital of Greatcorp, which in turn owned the entire share capital of Rugao Honghao, which operates the Rugao Honghao Facility Entered into BOT agreement with Haian County Construction Bureau for the Haian Hengfa Facility (Phase II)
2010	Completion of construction of the Rugao Hengfa Facility (Phase II) Commencement of operations of the Rugao Hengfa Facility (Phase II)
2009	Commencement of construction of the Rugao Hengfa Facility (Phase II) Entered into BOT agreement with Rugao Economic and Technological Development Zone ("Rugao ETDZ") Administrative Committee for the Rugao Hengfa Facility (Phase II) Completion of construction of the Haian Hengfa Facility (Phase II) Commencement of operations of the Haian Hengfa Facility (Phase II)
2008	Commencement of construction of the Haian Hengfa Facility (Phase II)
2007	Commencement of operations of the Rugao Hengfa Facility (Phase I)
2006	Completion of construction of the Rugao Hengfa Facility (Phase I)
2005	Completion of construction of the Haian Hengfa Facility (Phase I) Commencement of operations of the Haian Hengfa Facility (Phase I)

Milestones (cont'd)

Year	Milestone
2004	Commencement of construction of the Rugao Hengfa Facility (Phase I)
2003	Commencement of construction of the Haian Hengfa Facility (Phase I) Entered into BOT agreement with the Rugao ETDZ Administrative Committee for the Rugao Hengfa Facility (Phase I) Establishment of Rugao Hengfa
2002	Entered into BOT agreement with Haian County Construction Bureau for the Haian Hengfa Facility (Phase I) Establishment of Haian Hengfa

Group Structure



As at 5 September 2014

Haian Hengfa

This project involved the design, construction and operation of a municipal wastewater treatment facility, with a combined wastewater treatment capacity of 40,000 tons per day.

Project location	Haian County, Nantong City, Jiangsu Province
Total investment up to 31 May 2014	Phase I: HK\$21.8 million Phase II: HK\$42.0 million Upgrade works commenced in March 2014: HK\$4.3 million
Equity interest	70%
Type of wastewater treated	Municipal
Initial commencement date	Phase I: 18 December 2002 Phase II: 26 November 2013
Expiry date of concession	Phase I & II: 25 May 2036
Total constructed capacity	40,000 tons per day



Rugao Hengfa

This project involved the design, construction and operation of a wastewater treatment facility, with a combined wastewater treatment capacity of 40,000 tons per day. Its treatment process features technology designed to treat a mixture of municipal and industrial wastewater.

Project location	Rugao ETDZ, Rugao City, Jiangsu Province
Total investment up to 31 May 2014	Phase I: HK\$28.9 million Phase II: HK\$61.0 million Improvement works carried out in January 2014: HK\$2.0 million
Equity interest	100%
Type of wastewater treated	Municipal and Industrial
Initial commencement date	Phase I: 7 February 2007 Phase II: 29 April 2010
Expiry date of concession	Phase I & II: 28 April 2035
Total constructed capacity	40,000 tons per day



Rugao Honghao

This project involved the operation of a wastewater treatment facility with a capacity of 3,500 tons per day. The treatment process features technology designed to treat various types of water-soluble heavy metals.

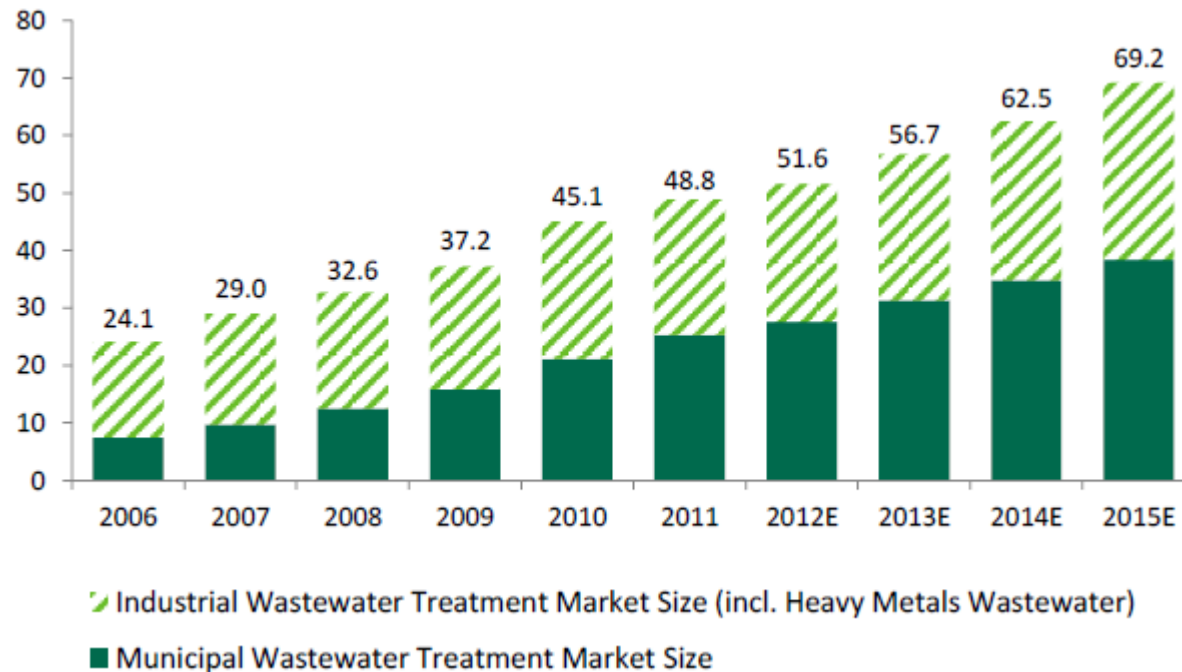
Project location	Rugao ETDZ, Rugao City, Jiangsu Province
Total investment up to 31 May 2014	HK\$62.6 million
Equity interest	100%
Type of wastewater treated	Heavy Metal
Initial commencement date	15 November 2011
Expiry date of concession	14 November 2039
Total constructed capacity	3,500 tons per day



INDUSTRY OVERVIEW

Market Size and Opportunity

We have engaged CBRE Limited, an independent third party and industry consultant, to prepare an industry report that studied the overall wastewater treatment industry in the PRC (the "CBRE Industry Report").



Source: The CBRE Industry Report

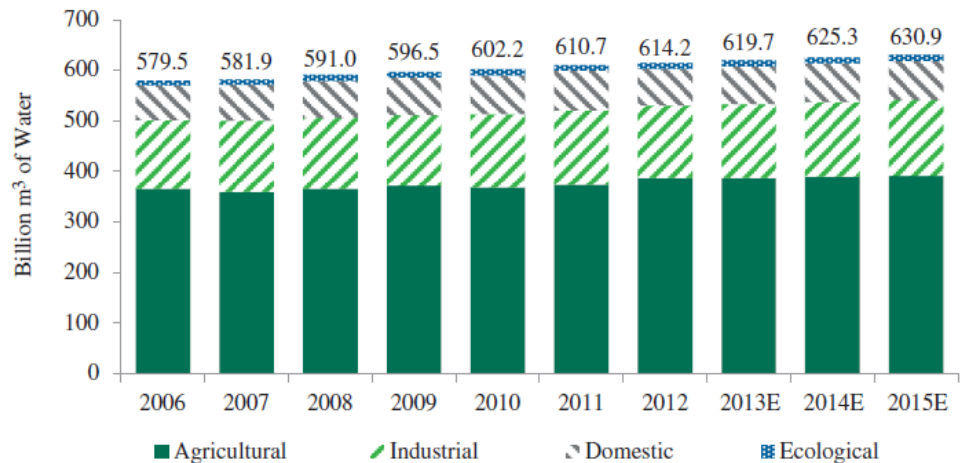
According to the CBRE Industry Report, the total market size of wastewater treatment, including both municipal and industrial wastewater treatment, is estimated to have reached RMB56.7 billion in 2013 and is expected to reach RMB69.2 billion by 2015. The figures represent the total revenue collected by wastewater treatment providers in China, and are calculated by multiplying volume of wastewater treated by the average wastewater treatment tariff. Until 2015, the projections in the CBRE Industry Report indicate a 10-year CAGR of 12.0% for the total market size, 20.5% CAGR for municipal treatment and 6.5% CAGR for industrial wastewater treatment.

China's Wastewater Treatment Industry

Water Consumption

As a result of continued increase in water demand from urbanisation and industrial production, China's water consumption has risen steadily over the years.

Historical and Forecast of Water Consumption by Usage



Source: The CBRE Industry Report

Wastewater discharge

Total wastewater discharge increased over years due to a continued net increase in water consumption caused primarily by urbanisation as well as China's commitment to an investment-led growth strategy.

Total Historical Wastewater Discharged and Forecasts



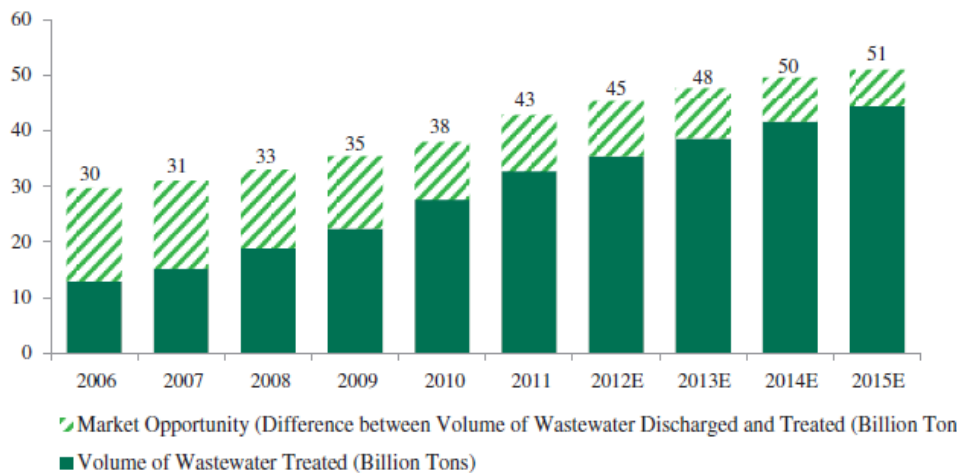
Source: The CBRE Industry Report

Municipal vs. Industrial

The growth of municipal wastewater treatment market will outpace that for industrial wastewater treatment. Throughout the past decade, municipal wastewater has grown steadily driven by population growth and urbanisation.

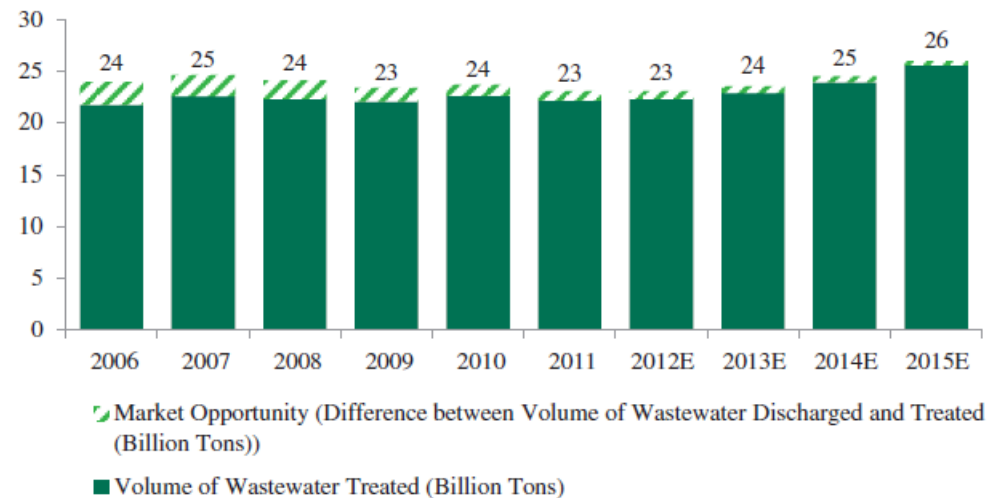
On the other hand, industrial wastewater is more susceptible to economic growth and policies, the growth of specific water-intensive industries and technological improvements, which can make the overall volume of wastewater discharged and treated vary by year.

Volume of Municipal Wastewater Discharged and Treated



Source: CBRE⁶, MEP, Tianto Info (Beijing) Consulting

Volume of Industrial Wastewater Discharged and Treated



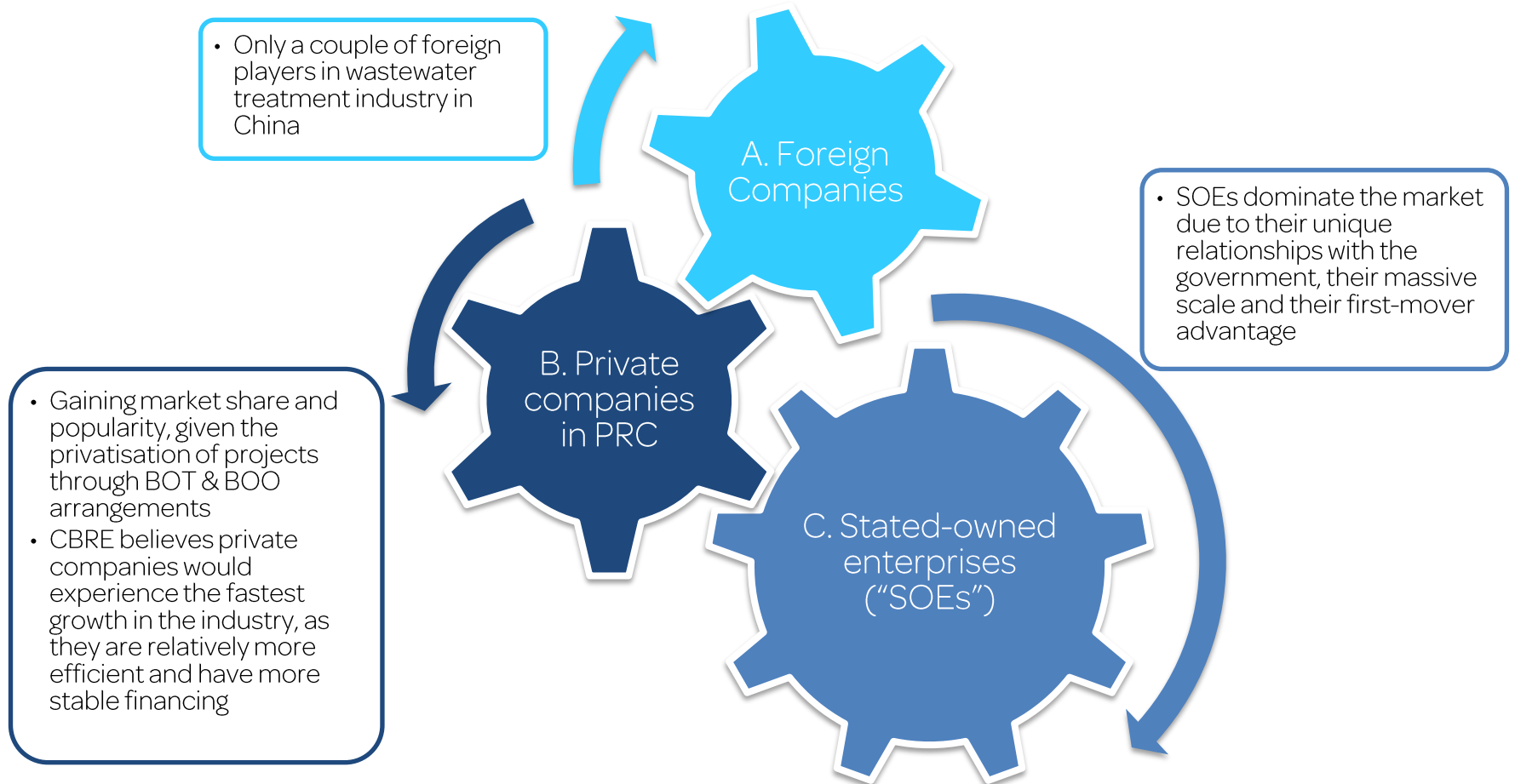
Source: Ministry of Environmental Protection, CBRE⁷

High Barriers To Entry



Competitive Landscape

There are three types of players in PRC wastewater treatment industry



The wastewater treatment industry in China is currently very fragmented but CBRE believes that the industry is poised for consolidation as rising competitive pressures would encourage more mergers and acquisitions to capture operational and cost synergies.

Growth Drivers

Shortage of water resources

- China's severe scarcity of water will continue to spearhead the entire water industry's growth, with race to find new ways of generating usable water, such as re-using treated wastewater directly for industrial applications

Urgency to solve the water pollution problem

- China is one of the most heavily polluted countries in the world and is hence under increasing pressure to step up its environmental protection efforts, with the wastewater treatment industry likely to benefit

Accelerating urbanisation

- China's urbanisation rate is expected to increase from 52.6% in 2012 to 77.3% by 2050, and this is expected to result in a corresponding increase in the amount of municipal wastewater generated

Continued industrialisation

- China's industry sector is transforming from a light and labour-intensive industry to a heavy and capital-intensive industry, and some of the fastest growing industries are water-intensive in nature (e.g. pulp and paper)

Policy support and favourable regulatory framework

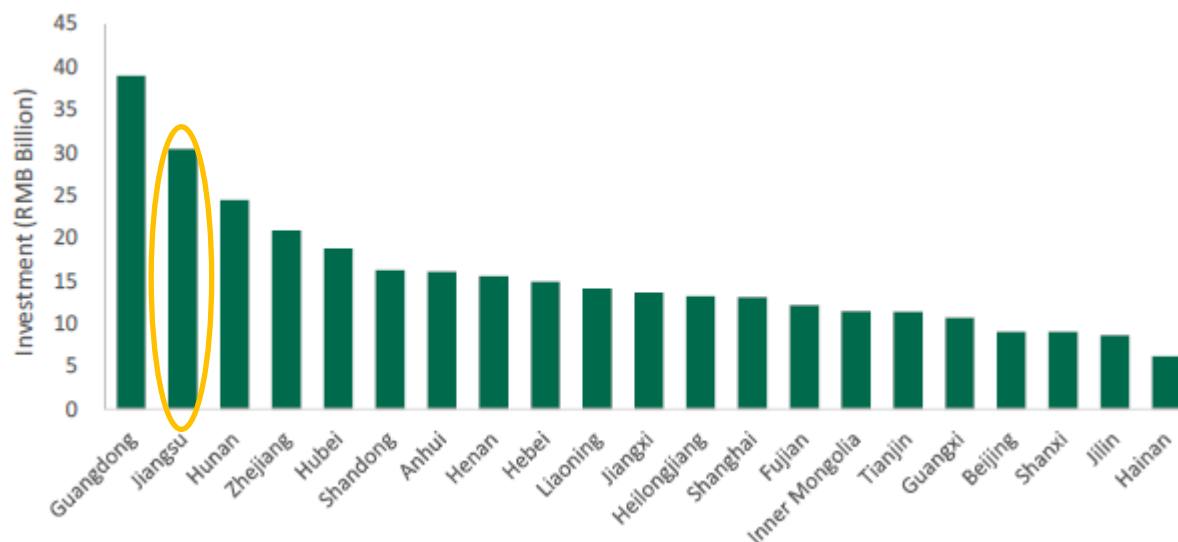
- The PRC government has set aggressive wastewater treatment targets as it has invested an increasing amount into the wastewater treatment industry over the last two decades

Water tariff adjustments

- According to the CBRE Industry Report, the new water pricing mechanism introduced by the PRC government in 2014 is expected to be a precursor for adjustments to wastewater treatment tariffs

Wastewater Treatment – Jiangsu Province

The Jiangsu Province has the second highest nominal GDP of all the provinces in China, behind only Guangdong, and has a population of almost 80 million. Its secondary industry (manufacturing) accounted for just over 50% of its GDP in 2012, whilst the tertiary industry (services) accounted for 43.5%. The province's most important industries include some of the heaviest users of water, including electronics and telecommunication equipment, petro-chemicals, textiles, metallurgical industry and machinery building.



Source: The CBRE industry report

In terms of the wastewater treatment industry, the 12th Five-Year Plan has budgeted RMB34 billion in wastewater treatment investments in the province for 2011 to 2015, behind only Guangdong province with RMB39 billion. According to the China Regional Economic Development report, the province will be spending a total of RMB58 billion in capital investments to improve water infrastructure, of which RMB11.17 billion is allocated for the construction of wastewater treatment plants and RMB1.37 billion for the upgrading of wastewater treatment plants.

FINANCIAL HIGHLIGHTS

Financial Highlights

1. Operational Results

	Year ended 31 December			Five months ended 31 May	
	2011	2012	2013	2013	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (Unaudited)	HK\$'000
Revenue	44,560	46,900	65,090	24,993	35,541
Gross profit	34,052	36,550	49,321	20,190	22,134
Profit before tax	31,325	34,007	47,974	22,211	7,460
Profit for the year	25,541	27,034	33,894	16,487	2,027
Profit attributable to owners of the parent	23,985	25,491	32,259	15,839	1,055
Gross profit margin (%)	76.4%	77.9%	75.8%	80.8%	62.3%
Net profit margin (%)	57.3%	57.6%	52.1%	66.0%	5.7%

Financial Highlights

2. Breakdown of Revenue by Facilities

	Year ended 31 December						Five months ended 31 May			
	2011		2012		2013		2013		2014	
	HK\$'000	% of total revenue	HK\$'000	% of total revenue	HK\$'000	% of total revenue	HK\$'000 (Unaudited)	% of total revenue	HK\$'000	% of total revenue
Haian Hengfa Facility	11,944	26.8%	12,336	26.3%	13,203	20.3%	5,006	20.0%	10,796	30.4%
Rugao Hengfa Facility	32,616	73.2%	34,564	73.7%	35,495	54.5%	14,501	58.0%	16,979	47.8%
Rugao Honghao Facility	-	-	-	-	16,392	25.2%	5,486	22.0%	7,766	21.8%
Total	44,560	100.0%	46,900	100.0%	65,090	100.0%	24,993	100.0%	35,541	100.0%

Financial Highlights

3. Financial Position

	As at 31 December			As at 31 May
	2011	2012	2013	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-current assets	207,707	209,432	292,124	285,075
Current assets	154,482	22,537	133,558	71,252
Current liabilities	124,435	164,080	81,892	27,652
Net current assets	30,047	60,457	51,666	43,600
Total assets less current liabilities	237,754	269,889	343,790	328,675
Non-current liabilities	93,571	96,817	128,538	38,932
Net assets	144,183	173,072	215,252	289,743
Equity attributable to owners of the parent	121,408	148,551	188,346	262,721

Financial Highlights

4. Key Financial Ratios

	As at 31 December			As at 31 May
	2011	2012	2013	2014
Gearing ratio	1.3	1.3	0.7	0.1
Current ratio	1.2	1.4	1.6	2.6
Quick ratio	1.2	1.4	1.6	2.6
	Year ended 31 December			Five months ended 31 May
	2011	2012	2013	2014
Return on equity (%)	19.8	17.2	17.1	N/A
Return on assets (%)	7.1	6.2	8.0	N/A
Interest coverage	N/A	94.7	22.0	26.9

INVESTMENT HIGHLIGHTS

Investment Highlights

Proven Track Record

- Proven track record in providing customised and integrated wastewater treatment services since 2002
- Experience in treating a range of wastewater: basic municipal, combinations of industrial and municipal, as well as heavy metals wastewater

Guaranteed Tariffs

- All of our BOT agreements include a guaranteed tariff (between 60-90% of the agreed maximum capacity of the respective facility) which ensures that we are guaranteed a minimum amount of income, regardless of the actual amount of wastewater that is supplied to us for treatment

Tariff Adjustments

- Contractually, we have the right to negotiate for tariff adjustments pursuant to increases in direct operating costs, such as increases in commodity prices, inflation, price index, the prevailing bank rate, etc

Environmental Protection Policies

- Well positioned to benefit from the PRC government's increasing focus on environmental protection as well as the implementation of favourable government policies

Strong Management Team

- Stable and experienced management team with diverse backgrounds and substantial experience in the wastewater treatment industry
- We have generally been able to retain the core members of our management team since our inception

GROWTH STRATEGIES

Growth Strategies

New Wastewater Treatment Projects

- Strengthen our market position through obtaining new wastewater treatment projects, by leveraging our track record and close working relationships with the local government authorities

Upgrade Existing Facilities

- The upgrading of our existing facilities will allow us to improve our wastewater treatment capabilities and hence, further enhance our competitiveness and improve our chances of securing future wastewater treatment projects

Other Environmental Protection Projects

- We intend to opportunistically pursue strategic acquisitions, joint ventures, partnerships and other opportunities in wastewater treatment and other environmental protection projects in and outside of China

THANK YOU